

**GOVERNMENT OF GUAM**

**457 Deferred Compensation Plan**

**FINANCIAL STATEMENTS**

December 31, 2021

(Together with Independent Auditors' Report Thereon)

**GOVERNMENT OF GUAM**  
**457 Deferred Compensation Plan**

December 31, 2021

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**BURGER & COMER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

To the Participants  
Government of Guam 457 Deferred Compensation Plan:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of the Government of Guam 457 Deferred Compensation Plan (the "Plan"), administered by the Government of Guam Retirement Fund Board of Trustees (the "Fund") which comprise the statement of fiduciary net position and statement of changes in fiduciary net position as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Government of Guam 457 Deferred Compensation Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Government of Guam 457 Deferred Compensation Plan as of December 31, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit for the Financial Statements section of our report. We are required to be independent of the Government of Guam 457 Deferred Compensation Plan, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government of Guam 457 Deferred Compensation Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government of Guam 457 Deferred Compensation Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Government of Guam 457 Deferred Compensation Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2022, on our consideration of the Government of Guam 457 Deferred Compensation Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Government of Guam 457 Deferred Compensation Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Government of Guam 457 Deferred Compensation Plan's internal control over financial reporting and compliance.



Tamuning, Guam  
April 20, 2022

**Government of Guam**  
**457 Deferred Compensation Plan**

Management's Discussion and Analysis

December 31, 2021

This discussion and analysis of the Government of Guam's 457 Deferred Compensation Plan's (the "Plan") financial performance provides an overview of the Plan's financial activities for the year ended December 31, 2021. The Government of Guam Retirement Fund (GGRF) Board of Trustees is responsible for the administration of the Plan. Empower Retirement (Empower) is the Trustee and Record Keeper for the Plan. Please read this section in conjunction with the Plan's financial statements, which follow this section.

The notes to the Financial Statements provide additional information, which is essential to have a full understanding of the basic financial statements.

**Highlights**

As reflected below, the Plan ended calendar year 2021 (December 31, 2021) on a strong note, with investments totaling \$135.9 million, compared to the December 31, 2020 balance of \$114.0 million, an increase of \$21.9 million.

<b>As of</b>	<b>Investments</b>
December 31, 2020	\$ 114.0 M
March 31, 2021	\$ 119.3 M
June 30, 2021	\$ 128.1 M
September 20, 2021	\$ 128.6 M
December 31, 2021	\$ 135.9 M

- According to Mercer, our DC Plan Investment Consultant, this increase was due primarily due to strong financial market returns, which were led by US stocks. U.S. stock returns were supported by the approval and mass rollout of COVID-19 vaccines resulting in a gradual normalization of economic activity across most parts of the World. This normalization of activity, combined with strong pandemic income support policies in the US and a number of major economies led to robust consumer spending and a rapid recovery in labor markets. The strong recovery in economic activity also supported corporate earnings.

The COVID-19 global pandemic caused unprecedented volatilities in the financial markets. While periods of extreme market volatility can be alarming, the GGRF Board of Trustees stayed focused on the long-term investment horizon and prudently managed investments in the Plan. These efforts contributed to strong recoveries after the first quarter of the fiscal year.



**Government of Guam  
457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**Highlights, continued**

The Plan has weathered periods of market volatility and uncertainty in the past. Since the portfolio's inception, the Plan has endured and survived extreme market events stemming from terrorists attacks and global financial crises. The GGRF Board of Trustees continues to manage the Plan in the same disciplined manner as it has in the past.

**Financial Analysis**

The following section provides further detail of activities within the Plan as well as additions and deductions to the Plan. Comparative financial schedules depict the changes between the years 2021 and 2020.

**Fiduciary net position** as of December 31, 2021 and 2020 are as follows:

	Years Ended December 31,		Increase (Decrease)	% Change
	2021	2020		
<b><u>Assets</u></b>				
Investments	\$ 135,856,755	\$ 114,047,524	\$ 21,809,231	19.12%
Receivables:				
Participant Loans	3,848,601	2,937,449	911,152	31.02%
Participant Contributions	218,194	80,543	137,651	170.90%
Total Receivables	4,066,795	3,017,992	1,048,803	34.75%
Cash	299,872	427,040	(127,168)	-29.78%
Total Assets	<b>140,223,422</b>	<b>117,492,556</b>	<b>22,730,866</b>	<b>19.35%</b>
<b><u>Liabilities</u></b>				
	-	-	-	-
<b>Fiduciary net position</b>	<b>\$ 140,223,422</b>	<b>\$ 117,492,556</b>	<b>\$ 22,730,866</b>	<b>19.35%</b>

**Plan activities**

The total increase in Plan net position was \$22.7 million or 19.35% over 2020. The \$22.7M is attributed to the \$16.9M in net investment income (due to strong financial market returns) and the \$12.7M in Member contributions, which were offset by the \$6.9M in Benefits paid to Participants. These factors net of the \$900,000 in additional loans to Participants resulted in the net increase investments \$21.8M.

**Government of Guam  
457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**Additions and Deductions to Fiduciary Net Position** for the years ended December 31, 2021 and 2020 are as follows:

	Years Ended December 31,		Increase (Decrease)	% Change
	2021	2020		
Investment Income:				
Net Appreciation in Fair Value	\$ 10,623,390	\$ 11,073,250	\$ (449,860)	-4.06%
Interest, Dividends & Other	6,833,826	3,571,604	3,262,222	91.34%
Less Investment Expenses	507,993	223,526	284,467	127.26%
<b>Net investment income</b>	<b>16,949,223</b>	<b>14,421,328</b>	<b>2,527,895</b>	<b>17.53%</b>
Member Contributions	12,716,153	12,156,719	559,434	4.60%
<b>Total Additions</b>	<b>29,665,376</b>	<b>26,578,047</b>	<b>3,087,329</b>	<b>11.62%</b>
Deductions:				
Benefits Paid to Participants	(6,934,510)	(5,083,495)	(1,851,015)	36.41%
<b>Net Increase in Fiduciary Net Position</b>	<b>22,730,866</b>	<b>21,494,552</b>	<b>1,236,314</b>	<b>5.75%</b>
Fiduciary Net Position, beginning of year	117,492,556	95,998,004	21,494,552	22.39%
<b>Fiduciary Net position, end of year</b>	<b>\$ 140,223,422</b>	<b>\$ 117,492,556</b>	<b>\$ 22,730,866</b>	<b>19.35%</b>

The money used to pay benefits is accumulated from contributions made by each participant and from income generated from the participant's investments, including investment appreciation and interest. Earnings on investments are reported net of investment expenses. Investment income net of fees during 2021 was \$16.9 million.

Member contributions to the Plan increased by approximately \$559,000 or 4.6% in 2021. Changes in contributions are due primarily to fluctuations in the average contribution per participant and the number of active plan participants. There were 7,040 active participants with account balances as of December 31, 2021 and 6,846 active participants with account balances as of December 31, 2020.

**Deductions**

Benefits paid to participants increased by \$1.8 million or 36.41% in 2021. The change in the amount of benefits paid to participants from year to year is attributed to: the number of participants choosing to take lump sum distributions at retirement in any one year, changes in the number of participants receiving benefits in the Plan, as well as the size of their account balance. Distributions are due largely to retirements and severance of employment.

**Outlook**

As we enter Fiscal Year 2022, the GGRF Board of Trustees will continue to navigate the rapidly changing economy by working with our Investment Consultant to continue to strengthen the Plan.



**GOVERNMENT OF GUAM**  
**457 Deferred Compensation Plan**  
**Statement of Fiduciary Net Position**  
**December 31, 2021**

**Assets**

Investments, at fair value	\$ 135,856,755
Participant loans receivable	3,848,601
Member contributions receivable	218,194
Cash	<u>299,872</u>
Total assets	<u><u>\$ 140,223,422</u></u>

**Liabilities**

Total liabilities	<u>-</u>
Fiduciary net position	<u><u>\$ 140,223,422</u></u>

*See accompanying notes to the financial statements.*

**GOVERNMENT OF GUAM**  
**457 Deferred Compensation Plan**  
Statement of Changes in Fiduciary Net Position  
Year ended December 31, 2021

**Investment Income**

Net appreciation in fair value of investments	\$ 10,623,390
Interest	6,833,826
	<u>17,457,216</u>
Less investment expenses	507,993
Net investment income	<u>16,949,223</u>

<b>Member contributions</b>	<u>12,716,153</u>
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<b>Total Additions</b>	29,665,376
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**Deductions**

Benefits paid to participants	6,934,510
<b>Total Deductions</b>	<u>6,934,510</u>

Net increase in Fiduciary net position	22,730,866
Fiduciary net position, beginning of year	<u>117,492,556</u>

Fiduciary net position, end of year	<u><u>\$ 140,223,422</u></u>
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*See accompanying notes to the financial statements.*

**Government of Guam**  
**457 Deferred Compensation Plan**

Notes to Financial Statements

December 31, 2021

**1. Description of the Plan**

The following description of the Deferred Compensation Plan (the Plan) of the Government of Guam provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

**General**

The Government of Guam maintains a nonqualified deferred compensation plan that constitutes an "eligible governmental plan" in accordance with Section 457(b) of the Internal Revenue Code (IRC) and comparable provisions under the Guam Territorial Income Tax Code. The Plan was established and maintained pursuant to Article 3, Chapter 8, Title 4, of the Guam Code Annotated effective May 1, 1999. Effective January 1, 2018, the Plan was amended to comply with the requirements of Public Law No. 33-186 (enacted by Guam Legislature on September 14, 2016), which established the "Government of Guam Defined Benefit 1.75 Retirement System (DB 1.75 Plan)" as codified in Article 5, Chapter 8, Title 4 of the GCA.

Investment Options are monitored by the Government of Guam Retirement Fund (GGRF or the Fund) Board of Trustees, which comprises seven members, four of whom are elected and three of whom are appointed by the Governor with the advice and consent of the Guam Legislature. Two of the elected members must be GGRF retirees domiciled in Guam. These two members are elected by the GGRF retirees. The other two elected members must be GGRF active members with at least five years of employment with the Government of Guam. These members are elected by GGRF active members.

The Board has full discretionary authority and responsibility for the interpretation of the Plan provisions, the establishment of rules and regulations for the day to day administration of the Plan and the selection of investment options.

**Participation**

Participation in the Plan is voluntary for all employees who are members of the following plans:

- The Government of Guam Defined Benefit Plan ("DB Plan"), and
- The Government of Guam Defined Contribution Retirement System ("DCRS").

Participation in the Plan is mandatory for all employees who are members of the DB 1.75 Plan. These employees are required to contribute a minimum of 1% of their base salary to the Plan.

**Government of Guam**  
**457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**1. Description of the Plan, continued**

**Contributions**

Plan participants, including DB 1.75 participants may contribute up to 100% of their annual compensation not to exceed Internal Revenue Service (IRS) limits. Participants may direct the investment of their accounts in various investment options offered by the Plan. Participants who do not choose an investment option for all or part of their account will be deemed to have elected the default investment alternative under the Plan for that portion of their account balance.

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of Plan earnings, including interest, dividends, and gains/losses from investments. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Vesting**

Participants are immediately vested in their contributions plus actual earnings and less any losses thereon.

**Payment of Benefits**

On termination of service due to death, disability, separation of service, retirement, or as otherwise permitted by the Plan, a participant may elect to receive a full or partial lump-sum distribution, periodic payments of a dollar certain, periodic payments for a time certain, or periodic payments over the lifetime of the participant.

A participant may also purchase a life or term-certain annuity, or simply leave the money on deposit until the date that they have a minimum annual distribution requirement. The IRS requires a minimum annual distribution to be made no later than April 1 of the calendar year following the later of the calendar year in which the employee attains age 72, or the calendar year in which the employee retires.

Distributions will be net of any federal and state taxes required to be withheld. The participants also have the option of having a direct tax-free rollover to a new employer pension plan or a rollover to an Individual Retirement Account.

**Government of Guam**  
**457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**1. Description of the Plan, continued**

**Participant Loans**

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50 percent of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at a reasonable rate of interest to be fixed by the Plan Administrator from time to time. Principal and interest are paid ratably through regular payroll deductions. Loans must be repaid within five years, except for loans used to purchase a principal residence.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The financial statements presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned.

Employee contributions are recognized in the period in which contributions are due. Contributions from employees for service through December 31, 2021 are accrued.

**Use of Estimates**

The preparation of financial statement in conformity with accounting principles generally accepted in the United States of America requires the Plan administrator to make estimates and assumptions that could affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Investment Valuation and Income Recognition**

The Plan's investments are reported at fair value. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net realized and unrealized gains and losses are reflected as net appreciation (depreciation) in the accompanying statement of changes in fiduciary net position.

**Government of Guam  
457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**2. Summary of Significant Accounting Policies, continued**

**Administration of Plan Assets**

The Government of Guam Retirement Fund Board of Trustees is responsible for the administration of the Plan. The daily operations of the Plan are administered by the Director who is designated by the Board as the Plan Administrator.

Empower Retirement (Empower) is the trustee and record keeper of the Plan. Empower invests funds received from contributions in accordance with participants' elections, records investment sales, interest income, and makes distribution payments to participants. During the year ended December 31, 2021, the Fund paid \$213,425 in administrative fees to Empower.

**Payment of Benefits**

Benefits are recorded when paid.

**Cash**

At December 31, 2021, the Plan had cash balances in banks of \$299,872, which is insured by the Federal Deposit Insurance Corporation up to \$250,000.

**Participant Loans**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis.

Loans are in arrears if any payment is missed. If the sum of all payments due in a calendar quarter are not made and payments are not received by the end of the following calendar quarter, the loan will be in default. As a result, the entire outstanding loan balance, including accrued but unpaid interest, shall be deemed distributed and will be tax reported in the calendar year of default.

**3. Plan Termination**

Although it has not expressed any intent to do so, the Legislature of the Government of Guam may, in its sole discretion, completely discontinue contributions or terminate the Plan by action of the Board of Trustees and direct the Board of Trustees with respect to the disposition of the Trust. The Government of Guam has established the Plan with the bonafide intention and expectation that the Plan shall continue indefinitely.



**Government of Guam**  
**457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**4. Tax Status**

The Plan is an eligible deferred compensation plan as defined by Section 457 of the IRC. Accordingly, any amount of compensation deferred under the Plan and any income attributable to the amounts so deferred shall be included in gross income of the participant only for the taxable year in which such compensation or other income is distributed.

**5. Investments**

The following table lists the investment options available to participants and the value of each option at December 31, 2021.

<b>Investment Option</b>	<b>Amount</b>
AB Discovery Value Z	\$ 4,402,131
AB Global Fixed Income Fund Z	604,061
DFA Emerging Markets Core Equity Portfolio Inst	1,890,324
Galliard Wells Fargo Stable Return	4,571,699
Great-West SF Balanced Fund	14,932,140
Grandeur Peak Intl Stalwarts Instl	4,079,386
Hartford Total Return Bond R6	22,087,950
Mercer International Equity	13,225,503
Principal Global Real Estate Sec Inst	2,681,895
State Street Target Retirement 2020 SL SF Class VI	41,593
State Street Target Retirement 2025 SL SF Class VI	7,377
State Street Target Retirement 2030 SL SF Class VI	38,910
State Street Target Retirement 2035 SL SF Class VI	1,092,369
State Street Target Retirement 2040 SL SF Class VI	2,658,284
State Street Target Retirement 2045 SL SF Class VI	1,468,132
State Street Target Retirement 2050 SL SF Class VI	1,180,495
State Street Target Retirement 2055 SL SF Class VI	544,978
State Street Target Retirement 2060 SL SF Class VI	54,498
T. Rowe Price Instl Large Cap Growth	7,445,908
Vanguard Inflation-Protected Securities	8,455,441
Vanguard Institutional Index Fund	21,038,637
Vanguard Windsor II Fund	18,266,981
William Blair Small-Mid Cap Growth	5,088,063
<b>Total</b>	<b>\$ 135,856,755</b>

As reflected above, the Plan offered 23 mutual fund options (including 9 target date funds) as of December 31, 2021.

**Government of Guam  
457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**6. Fair Value Measurements**

The Plan has the following fair value measurements as of December 31, 2021 (Investments measured at Fair Value):

	Fair Value Measurements Using			
	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
Mutual Funds	\$ 135,856,755	\$135,856,755	-	-
Commingled Funds	-	-	-	-
<b>Total investments by fair value level</b>	<b>\$ 135,856,755</b>	<b>\$135,856,755</b>	<b>-</b>	<b>-</b>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 measurements and the lowest priority to Level 3 measurements.

Funds classified in Level 1 of the fair value hierarchy are valued using prices in active markets for those securities. Funds classified in Level 2 are valued based on evaluated prices using a matrix pricing technique, which is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs to the fair value measurement.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Mutual fund investments are valued at the net asset value of shares held by the Plan at year end which are quoted in an active market, and are classified within Level 1 of the valuation hierarchy.

**Government of Guam**  
**457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**6. Fair Value Measurements, continued**

Plan investments are not FDIC insured, are not guaranteed by any bank, and involve investment risk, including the possible loss of the principal amount invested. Gains and losses (realized and unrealized) included in changes in fiduciary net position for the year ended December 31, 2021 are reported in net appreciation in fair value of investments.

**7. Risk and Uncertainties**

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect participant account balances and the amounts reported in the statement of fiduciary net position and the statement of changes in fiduciary net position.

**Credit risk** exists when there is the possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Each participant is responsible for determining the risks and commensurate returns of their portfolio. The Plan's investment options consist of diversified mutual funds and therefore do not have credit risk.

**Custodial credit risk** is the risk that, in the event of a failure of the counterparty, the Plan would not be able to recover the value of its deposits, investments, or collateral securities that were in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured or not registered in the name of the Plan and are held by either the counterparty or the counterparty's trust department or agent, but not in the Plan's name. Investments are held in a trust account for the benefit of the Plan. As a result, the investments of the Plan are not exposed to custodial credit risk.

**Interest rate risk** is the risk that changes in interest rates will adversely affect the value of an investment. The Plan invests in mutual funds, including debt-based mutual funds. Such funds are subject to interest rate risk; funds holding bonds with longer maturities are subject to more risk than funds holding bonds with shorter maturities.

Funds with exposure to interest rate risk are as follows:

1. Hartford Total Return Bond R6	\$ 22,087,950
2. Vanguard Inflation-Protected Securities	\$ 8,455,441

**Government of Guam**  
**457 Deferred Compensation Plan**

Notes to Financial Statements, continued

December 31, 2021

**7. Risk and Uncertainties, continued.**

**Concentration of credit risk** is the risk of loss attributed to the magnitude of an investment in a single issuer. If 5% or more of the total assets of the Plan are invested with one issuer then the investment is considered to have concentration risk. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from concentration or credit risk requirements.

Funds with exposure to concentration of credit risk are as follows:

1. Great-West SF Balanced Fund	\$ 14,932,140
2. Hartford Total Return Bond R6	22,087,950
3. Mercer International Equity	13,225,503
4. T. Rowe Price Instl Large Cap Growth	7,445,908
5. Vanguard Inflation-Protected Securities	8,455,441
6. Vanguard Institutional Index Fund	21,038,637
7. Vanguard Windsor II Fund	\$ 18,266,981

**Foreign currency risk** is the risk that changes in exchange rates will adversely affect the fair value of an investment. The plan's diversified selection of funds encourages the participants to employ diversification, asset allocation, and quality strategies to minimize risks. Each participant is responsible for determining the risks and commensurate returns of their Portfolio.

The Plan's exposure to foreign currency risk is measured by fund allocation to foreign securities. Funds with investments in foreign securities include:

1. AB Global Fixed Income Fund Z	\$ 604,061
2. DFA Emerging Markets Core Equity Portfolio Inst	1,890,324
3. Grandeur Peak Intl Stalwarts Instl	4,079,386
4. Mercer International Equity	\$ 13,225,503

**8. Subsequent Events**

Management has evaluated subsequent events through the date of the report. Events requiring disclosure are as follows:

**Investments**

The market value of the Plan's investments decreased from \$135.9 million at December 31, 2021 to \$128.8 million at March 31, 2022. This is decrease of \$7.1 million, or about 5.2%.

**BURGER & COMER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Participants  
Government of Guam 457 Deferred Compensation Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Government of Guam 457 Deferred Compensation Plan administered by the Government of Guam Retirement Fund Board of Trustees (the "Fund"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Government of Guam 457 Deferred Compensation Plan's basic financial statements, and have issued our report thereon dated April 20, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Government of Guam 457 Deferred Compensation Plan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Government of Guam 457 Deferred Compensation Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of Government of Guam 457 Deferred Compensation Plan's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Government of Guam 457 Deferred Compensation Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Tamuning, Guam  
April 20, 2022