
GOVERNMENT OF GUAM RETIREMENT FUND

FINANCIAL STATEMENTS

September 30, 2023
(with Comparative Information for 2022)

(Together with Independent Auditors' Report Thereon)

GOVERNMENT OF GUAM RETIREMENT FUND

September 30, 2023

(with Comparative Information for 2022)

<u>Table of Contents</u>	<u>Pages</u>
FINANCIAL STATEMENTS	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4- 26
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Footnotes to Financial Statements	29 - 58
GASB 67/68 - Schedule of Changes in Net Pension Liability – DB and DC Plan	59 - 60
GASB 67/68 - Schedule of Employer Allocations by Component Unit – DB and DC Plan	61 - 62
GASB 67/68 - Schedule of Contributions	63
GASB 67/68 - Schedule of Investment Returns	64
GASB 75 - Schedule of Changes in Total Other Post Employment Benefits Liability	65
GASB 75 - Schedule of Other Post Employment Benefits Liability by Agency	66
GASB 75 – Schedule of Employer Contributions – Other Post Employment Benefits	67
Supplementary Schedule of Administrative and General Expenses	68
Supplementary Schedule of Personnel Costs	69
Supplementary Schedule of Personnel Count	70
Supplementary Schedule of Other Receivables – Defined Benefit Plan (DB)	71
Supplementary Schedule of Receivables by Agency – DB 2023	72
Supplementary Schedule of Receivables by Agency – DB 2022	73
 INTERNAL CONTROLS AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Government of Guam Retirement Fund:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Government of Guam Retirement Fund (the "Fund"), a component unit of the Government of Guam, administered by the Government of Guam Retirement Fund Board of Trustees (the "Board") which comprise the statement of fiduciary net position and statement of changes in fiduciary net position, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Government of Guam Retirement Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Government of Guam Retirement Fund as of September 30, 2023, 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*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Government of Guam Retirement Fund 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 these 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 Government of Guam Retirement Fund'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 Retirement Fund'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 Retirement Fund'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 through 26, the Schedule of Changes in Net Pension Liability on pages 59 and 60, the Schedule of Employer Allocations by Component Unit on pages 61 and 62, the Schedule of Contributions on page 63, the Schedule of Investment Returns on page 64, the Schedule of Changes in Total Other Post Employment Benefits (OPEB) Liability on page 65, the Schedule of Other Post Employment Benefits (OPEB) Liability on page 66, and the Schedule of Employer Contributions (OPEB) on page 67 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government of Guam Retirement Fund's basic financial statements. The accompanying information listed as supplemental schedules on pages 68 to 73 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules on pages 68 to 73 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2024, on our consideration of the Government of Guam Retirement Fund'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 solely 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 Retirement Fund'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 Retirement Fund's internal control over financial reporting and compliance.



Tamuning, Guam
March 31, 2024

GOVERNMENT OF GUAM RETIREMENT FUND

Management’s Discussion and Analysis

September 30, 2023

Management of the Government of Guam Retirement Fund (“GGRF”) offers readers of the financial statements the following discussion and analysis of GGRF’s financial activities for the fiscal year ended September 30, 2023. This narrative should be reviewed in conjunction with the financial statements and related notes, which follow this section. It provides management’s insight into the results of operations of the last two fiscal years, and highlights specific factors that contributed to those results.

(1) Financial Highlights

- **DB Plan and DC Plan Investments**

Defined Benefit (DB) Plan			Defined Contribution (DC) Plan		
Period	Investment Balance (in billions)	Rate of Return	As of	Investment Balance (in millions)	Rate of Return
Fiscal Year Ended 9/30/2022	\$1.76	-18.04%	9/30/2022	\$406	Not Applicable (refer to comments below)
Quarter Ended 12/31/2022	\$1.88	7.55%	12/31/2022	\$440	
Quarter Ended 3/31/2023	\$1.93	4.43%	3/31/2023	\$467	
Quarter Ended 6/30/2023	\$1.96	2.72%	6/30/2023	\$488	
Quarter Ended 9/30/2023	\$1.88	-3.50%	9/30/2023	\$476	
Fiscal Year Ended 9/30/2023		11.34%			

The **DB Plan Investment** portfolio experienced a positive return of 11.34% for the fiscal year ended September 30, 2023 compared to the prior year negative return of -18.04%. As reflected in the **Subsequent Events Table below**, the DB Plan achieved a positive return of 9.45% for the quarter ended December 31, 2023.

The **DC Plan** ended fiscal year September 30, 2023 with investments totaling \$476 million, compared to the September 30, 2022 balance of \$406 million. This represented an increase of \$70M or 17.2%. As reflected in the **Subsequent Events Table below**, DC Plan investments increased during the quarter ended December 31, 2023 to \$529M.

Subsequent Events – DB Plan and DC Plan

Defined Benefit (DB) Plan			Defined Contribution (DC) Plan		
Period	Investment Balance (in billions)	Rate of Return	As of	Investment Balance (in millions)	Rate of Return
Quarter Ended 12/31/2023	\$2.00	9.45%	12/31/2023	\$529	Not Applicable

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

Comparison of DB Plan and DC Plan

The DB Plan investments are managed as a single portfolio because the Plan is expected to exist in perpetuity. *As such, as reflected above, it is possible to calculate the rate of return on the DB Plan investments over various investment periods.*

The DC Plan, on the other hand, is not managed as a single portfolio. Each participant selects their own investment strategy, *so it is not possible to state what the "return" is for the DC plan over a particular time period.* Therefore, as reflected above, the focus is on the change in the DC Plan investment balance as an alternative to a "return" over various investment periods.

2023 DB Plan - Highlights

As noted on previous page the DB Plan Investment portfolio experienced a positive return of 11.34% for the fiscal year ended September 30, 2023 compared to the prior year negative return of -18.04%. According to Wilshire, our DB Plan Investment Consultant:

- Despite U.S. inflation still hovering above the Federal Reserve's 2% target, recessionary pressures from China and two on-going hot wars in Gaza and Ukraine, the U.S. economy showed surprising resilience with strong consumer spending and a tight labor market. Supporting the economic growth were fiscal deficit spending programs like the Chips Act, the Infrastructure Bill and the Inflation Reduction Act, which injected liquidity into the market that partially offset the tightening effects of rate hikes from the Federal Reserve and other Central Banks.
- While the market whipsawed throughout the year as investors responded to a U.S. regional banking crisis, geopolitical tensions in Europe and a deflating property market in China, global stocks ended the year higher. GGRF's diversified investment portfolio returned 11.34% for the fiscal year.

2023 DC Plan - Highlights

As noted on previous page the DC Plan ended fiscal year September 30, 2023 with investments totaling \$476 million, compared to the September 30, 2022 balance of \$406 million. This represented an increase of \$70M or 17.2%. According to Mercer, our DC Plan Investment Consultant:

- All investment options in the plan delivered positive returns, with many delivering double digit returns.
- Following a difficult prior fiscal year, stocks and most other asset classes delivered positive returns in the year ending 30 September 2023. Investors seeing these positive headline numbers would be mistaken to assume it was smooth sailing as there were several major surprises and significant volatility. During the earlier parts of the year, as major economies were contending with inflation at multi-decade highs, central banks including the US Federal Reserve were increasing interest rates most rapidly in several cycles.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

2023 DC Plan – Highlights, continued

- This led to most investors and economists to assume that the US and Global economies would enter a recession, something which remains elusive. Sentiment was also briefly damaged by a number of US regional bank failures, including the second largest bank failure in history, and coincidentally the forced merger of two systemically important banks in Europe. Geopolitics were also front of mind as the conflict in Ukraine continued, another commenced in the Middle East, and US-China relations remain fragile.
- Despite all of these challenges, US and International stocks ended the year higher, while US bonds delivered modestly positive returns. Investors were ultimately encouraged by the US economy not only avoiding recession, but growing strongly, company earnings holding up, significant advances in Artificial Intelligence, and Chinese authorities ending their zero covid strategy before increasing policy stimulus.
- Finally, inflation continued to trend downwards throughout the year, given investors' confidence that it will return to the Federal Reserve's 2% target over the medium term.
- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability**

The unfunded liability is the present value of future benefits payable that are not covered by the actuarial value of assets as of the valuation date. The unfunded liability increased from \$1.14 billion (based on the 2021 actuarial valuation) to \$1.17 billion (based on the 2022 actuarial valuation), and the actuarially determined contribution rate increased from 28.43% to 29.43%. The primary reason for the increase in the contribution rate was due to the net recognition of investment gains and losses over the last three years.

The defined benefit payroll for the 2021-22 fiscal year was \$243.4 million (which includes \$162.2 million for DB 1.75) compared with \$251.4 million (which includes \$160.6 million for DB 1.75) for the 2020-21 fiscal year.

The total defined benefit and defined contribution payroll for the 2021-2022 fiscal year was \$555.5 million compared with \$532.5 million for the 2020-2021 fiscal year, an increase of 4.3%. Overall, the unfunded liability has grown from \$552 million at September 30, 1995 to \$1.17 billion at September 30, 2022. This represents a decrease in the security ratio, from 66.5% in 1997 to 63.76% in 2022, and an increase in the unfunded liability ratio from 33.5% in 1995 to 36.24% in 2022. The security ratio is the ratio of assets to liabilities.

GOVERNMENT OF GUAM RETIREMENT FUND

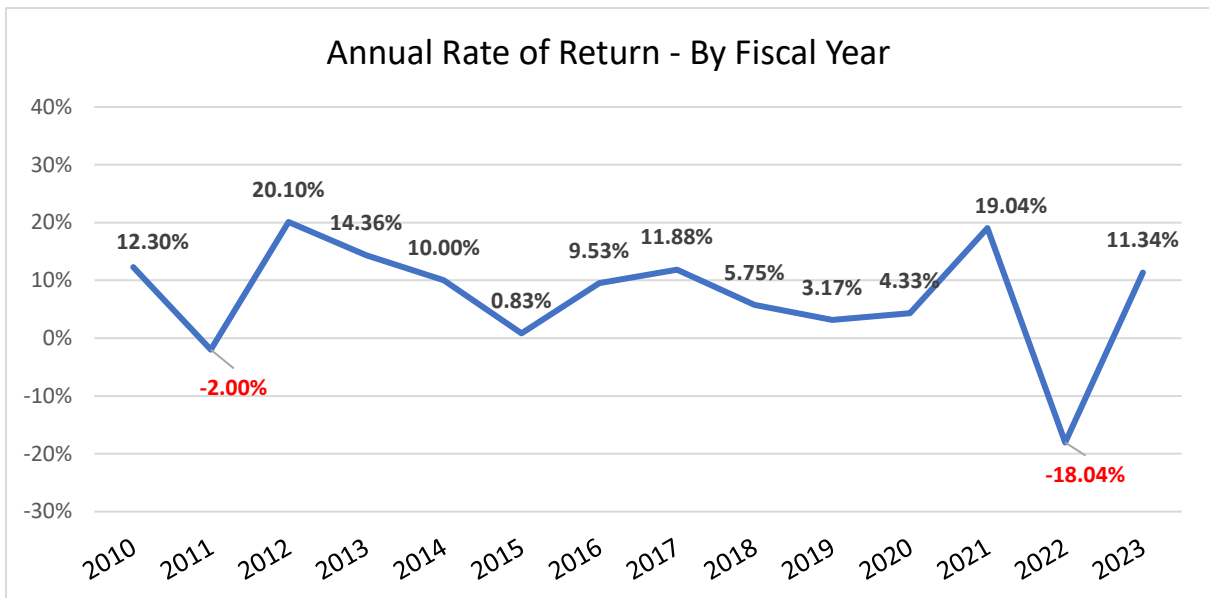
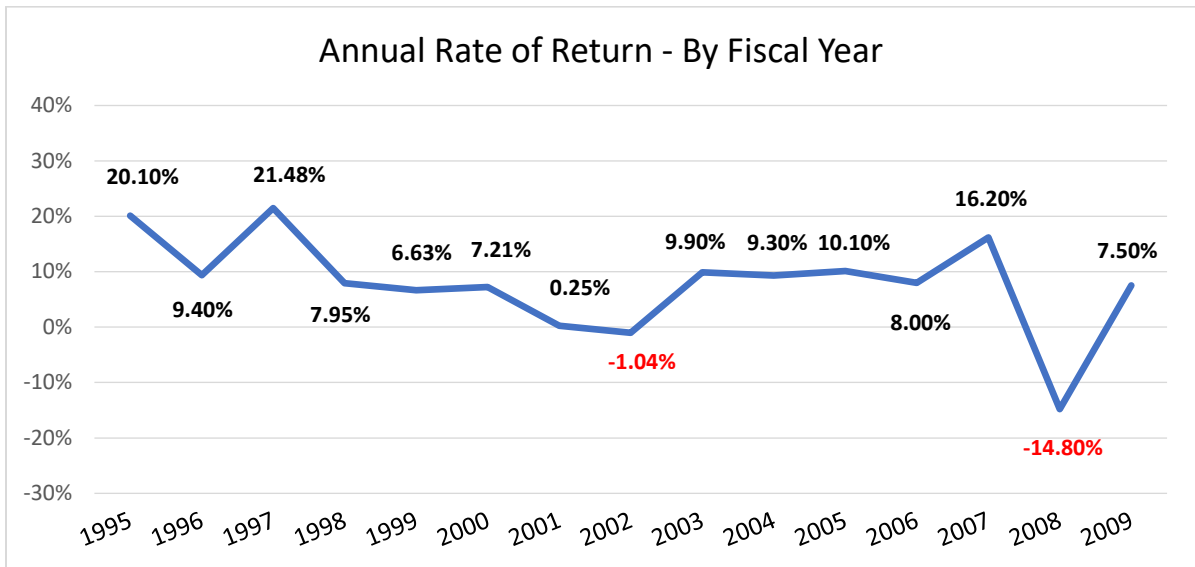
Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability**

The **annual rate of return** for the DB Plan investments from 1996 to 2023 are reflected below. Over that period, there have been four years with negative returns. GGRF investment returns averaged 7.61% percent from 1995 through 2023.



GOVERNMENT OF GUAM RETIREMENT FUND

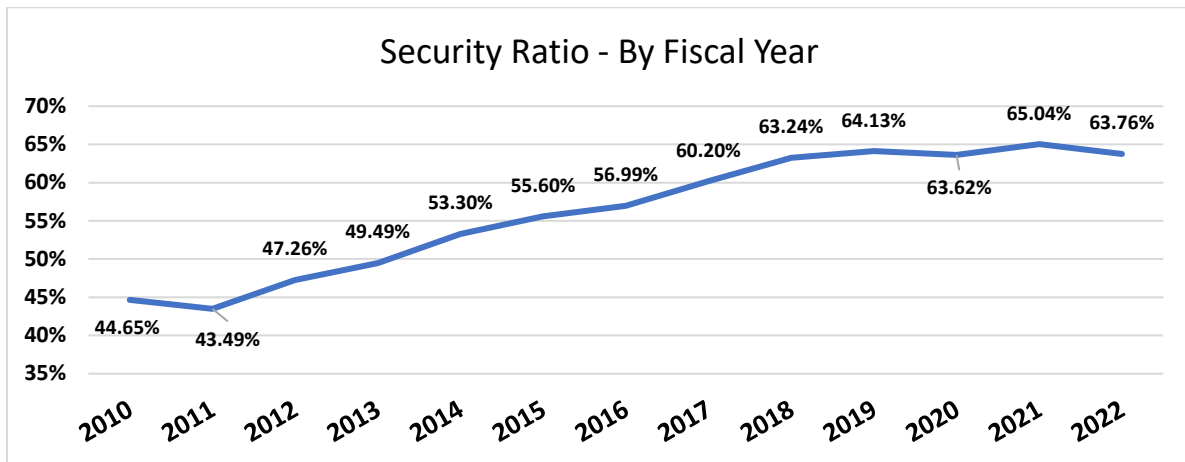
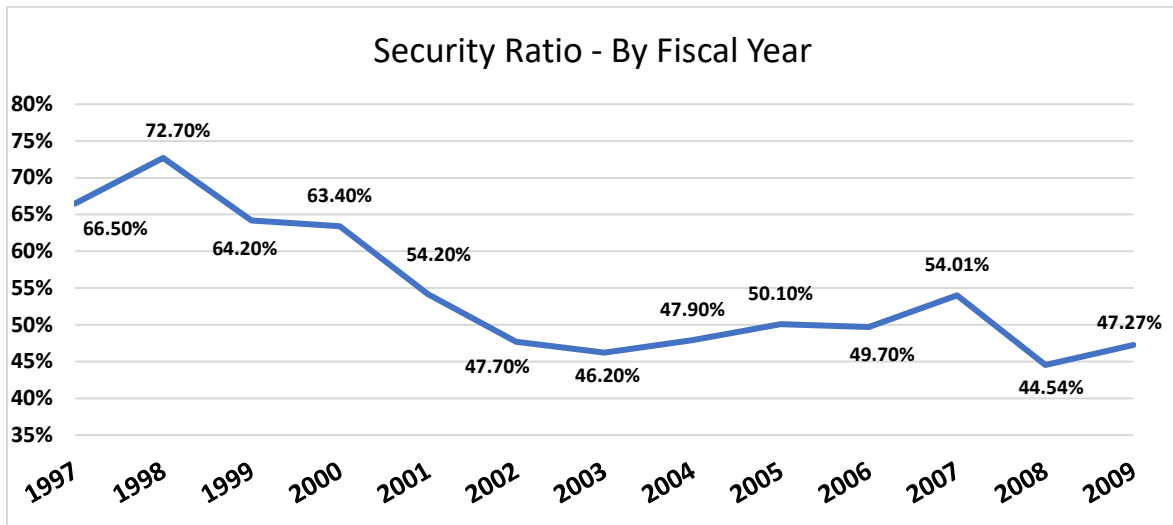
Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability, continued**

As indicated below, the security ratio (fund assets as a percentage of accrued liability) for the past twenty-six years has ranged from 43.49% to 72.7%, representing an average of 55.35% per year.



According to our actuary Milliman Inc., security ratios for public pension funds vary depending upon the assumed rate of future investment returns as well as the period over which investment gains and losses are recognized. In addition, security ratios for public pension plans in the U.S. tend to range from 60% to 90%, with an average of about 75%. GGRF has a lower security ratio than the average U.S. funds.

GOVERNMENT OF GUAM RETIREMENT FUND

Management’s Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

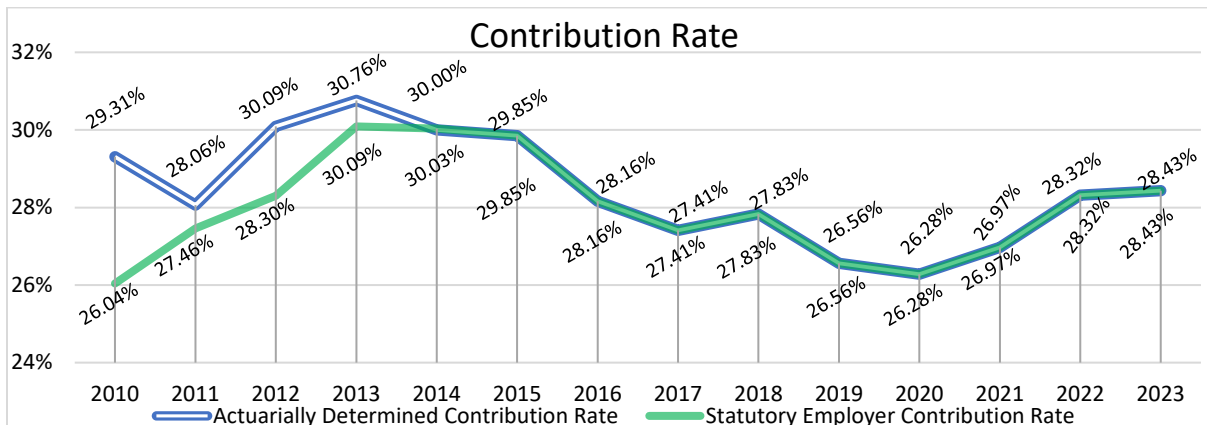
- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability**

Pursuant to 4 GCA Chapter 8, Section 8137, the unfunded liability is to be completely funded within 80 years from May 1, 1951, and this was extended two years by Public Law 33-186. Based on the 2022 valuation, there are 10.58 years remaining in the funding period.

Management continues to recommend that the Guam Legislature fully fund the actuarially determined contribution rate each year. The uncertainties in the investment markets, and the years remaining in the funding period underscores the need for the Guam Legislature to continue to provide full funding each year.

According to Milliman Inc., employer contribution rates vary widely among public pension funds due to the level of benefits provided, the security ratio (funded percentage), the assumed rate of future investment returns, and the period of time over which unfunded liabilities are amortized. The median employer contribution rate is approximately 18%, with typical rates ranging from 10% to 30% or more. GGRF’s contribution rate is at the high end of the range, due to a lower security ratio (funded percentage) than the average U.S. fund.

A comparison of the actuarially determined contribution rates versus the statutory employer contribution rates for 2010 to 2023 are reflected below.



Pursuant to 4GCA Chapter 8, Section 8137, 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. Public Law 33-186 extended this period by 2 years to 2033.

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. Since 2014 the statutory rate is equal to the actuarially determined contribution rate. Management encourages the Guam Legislature to continue to set the statutory rate at the actuarially determined contribution rate until full funding is achieved.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

- **Governmental Accounting Standards Board (GASB) Statement No. 73.**

The Government of Guam and all component units must present pension information related to supplemental benefits and cost of living allowances (COLA). These benefits are not funded through the accumulation of assets purchased with employer or member contributions; rather, they are funded by Legislative appropriations with the General Fund as funding source. The supplemental benefit is an amount which, when added to a retiree's annuity, increases the annual annuity to Forty Thousand Dollars (\$40,000). This supplemental annuity only applies to retirees who retired under the defined benefit plan.

Public Law 37-42, signed into law in September 2023, increased the COLA payment from \$2,200 to \$2,300 effective with the COLA payments made in October 2023. The COLA benefit applies to both defined benefit retirees and defined contribution retirees.

In accordance with GASB Statement No. 73, as of September 30, 2023 and 2022, GGRF recorded net pension liability of \$5,982,159 and \$4,576,811, respectively.

- **Governmental Accounting Standards Board (GASB) Statement No. 75.**

The Government of Guam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees are also required to pay a portion of the medical and dental insurance premiums. Retirees and surviving spouses do not share in the cost of the basic life insurance benefit. This benefit applies to both defined benefit retirees and defined contribution retirees.

In accordance with GASB Statement No. 75, as of September 30, 2023 and 2022, GGRF recorded net OPEB liability of \$8,580,923 and \$11,217,168, respectively. This reflects postemployment medical, dental, and life insurance benefits of retirees, spouses, children, and survivors.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

• Reopening of DB 1.75 Plan

On December 27, 2022, Public Law No. 36-130 was signed into Law. The law provides for the following:

- All employees who are members in the DC Plan at any time between June 1, 2023 and December 31, 2023, may elect to become Defined Benefit 1.75 Plan (DB1.75 Plan) members effective January 1, 2024.
- All new employees whose employment commences on or after January 1, 2024, may elect to become DB1.75 Plan members.
- The DB1.75 Plan service retirement amount is increased from 1.75% to 2.75% for service after 25 years. The maximum benefit remains at 85%.
- Effective January 1, 2024, active public safety and law enforcement officers of the DB1.75 Plan will be eligible for unreduced service retirement after reaching age 55 with 25 years of service or age 57 with 5 years of service.

Education:

In June 2023, GGRF began providing educational video presentations for employees of all Government of Guam departments and agencies. The educational video was also available on the GGRF website. The presentations concluded on October 2023. However, the video remains on the website.

Election Period:

The election to participate in the DB 1.75 Plan was for a limited time period for active, new and reemployed Government of Guam employees.

- Commencing June 30, 2023, eligible employees in the DC Plan had the opportunity to voluntarily elect to transfer to the DB 1.75 Plan.
- The conclusion of the election period – contingent on the member's employment or re-employment date - was on December 30, 2023, or January 31, 2024 for members hired in December 2023.

Estimated Retirement Income Comparison Letters (ERIC):

Prior to making an election, DC Plan members were given the opportunity to request for: (a) a comparison letter 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, 2024.

During the election period, GGRF reviewed members' DC Plan historical contribution and distribution data, performed calculations and prepared retirement income comparisons to assist members in making a potential Election with respect to the member's age, salary, years of credited service, and account balance under the DC Plan.

A total of 1,851 DC Plan members requested and received ERIC letters. However, only 1,026 members elected to transfer to the DB1.75 Plan. The remaining 825 members did not elect to transfer.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(1) Financial Highlights, continued

- **Reopening of DB 1.75 Plan, continued**

DB1.75 Elections by AGENCY

The table below, reflects total member elections by Agency. Agencies must ensure that contributions are remitted accordingly effective with pay period ended January 13, 2024.

AGENCY	Total
Government of Guam Federal Fund	751
Guam Department of Education	418
Guam Memorial Hospital Authority	239
Judiciary of Guam	120
University of Guam	103
Port Authority of Guam	94
Guam Power Authority	70
Guam International Authority	66
Guam Housing and Urban Renewal Authority	45
Guam Waterworks Authority	41
Guam Community College	27
Guam Economic Development Authority	13
Guam Legislature	13
Govt of Guam Retirement Fund	12
Public Defender Service Corporation	8
Guam Visitors Bureau	6
Guam Housing Corporation	2
Total Elections	2,028

As previously discussed, of the 2,028 members who elected, only 1,026 members requested ERIC letters.

Funds Transferred/ Member Elections:

During January and February 2024, DC Plan funds of employees who elected to transfer to the DB1.75 Plan, totaling approximately \$134M, were deposited into GGRF's Northern Trust Administrative Account. These funds were allocated to GGRF's investment manager accounts based on an allocation as recommended by Wilshire.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(2) Description of the Financial Statements

This section of the MD&A is intended to serve as an introduction to the GGRF financial statements, which include the following components:

1. Basic Financial Statements,
2. Notes to the Basic Financial Statements,
3. Required Supplementary Information,
4. Other Supplementary Schedules.

Collectively, this information presents the net position held in trust for pension benefits. This information also summarizes the changes in net position held in trust for pension benefits for the year then ended. The information in these components is briefly summarized as follows:

- **Basic Financial Statements**

The Statement of Fiduciary Net Position is presented for September 30, 2023, with comparative information at September 30, 2022. These financial statements reflect resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. The Statement of Changes in Fiduciary Net Position is presented for the year ended September 30, 2023, with comparative information for the year, ended September 30, 2022. These financial statements reflect the changes in resources available to pay benefits to members, including retirees and beneficiaries, for fiscal years 2023 and 2022.

- **Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Information in the Notes to the Basic Financial Statements includes the following: a general description of GGRF, a summary of significant accounting policies, a description of deposit and investment risk, an explanation of property and equipment, information about net pension liability of the Agencies and information about pension plan participation.

- **Required Supplementary Information**

The Required Supplementary Information consists of the following schedules: changes in net pension liability, net pension liability by agency, employer contributions, and the annual money-weighted rate of return, net of investment expense.

- **Other Supplementary Schedules**

Other schedules include schedules of administrative and general expenses, personnel costs, personnel count, receivables by GovGuam Agency, and other receivables.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(3) Defined Benefit 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 DC Plan.

DB Plan Net Position as of September 30, 2023 and 2022 are as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023	
			\$	%
Cash and Equivalents	\$ 8,481,607	\$ 6,191,045	\$ 2,290,562.0	37.0%
Receivables	24,117,905	29,951,513	(5,833,608)	-19.5%
Investments	1,872,427,918	1,758,520,401	113,907,517	6.5%
Prepaid Expenses	-	18,750	(18,750)	-100.0%
Property and Equipment	627,477	560,804	66,673	11.9%
Deferred Outflows	3,087,246	2,624,263	462,983	17.6%
Total Assets and Deferred Outflows	1,908,742,153	1,797,866,776	110,875,377	6.2%
Total Liabilities	30,136,282	33,126,533	(2,990,251)	-9.0%
Deferred Inflows	4,964,686	3,840,696	1,123,990	29.3%
Net Position, End of Year	1,873,641,185	1,760,899,547	112,741,638	6.4%
Net Position, Beginning of Year	1,760,899,547	2,246,810,506		
Net Increase (Decrease) in Net Position	\$ 112,741,638	\$ (485,910,959)		

DB Plan Investments as of September 30, 2023 and 2022 are as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023	
			\$	%
Common Stocks	\$ 1,328,842,274	\$1,200,878,984	\$127,963,290	10.7%
U.S. Government Securities	265,370,061	245,915,400	19,454,661	7.9%
Corporate Bonds and Notes	216,239,024	254,638,296	(38,399,272)	-15.1%
Money Market Funds	26,811,000	26,925,878	(114,878)	-0.4%
Mutual Funds	35,165,559	30,161,843	5,003,716	16.6%
Total	\$ 1,872,427,918	\$ 1,758,520,401	\$ 113,907,517	6.5%

During 2023, DB Plan investments increased by \$114 million compared to 2022, due largely to market fluctuations. The increase in investments resulted in a corresponding increase in DB Plan net position of \$113 million in 2023.

The DB Plan investments provide for long-term growth, while also ensuring a reliable cash flow that meets current pension benefit payments. Equity investments are included for their long-term return and growth characteristics, while fixed income assets control investment risk.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(3) Defined Benefit Plan, continued

In line with the Board's long-term goal of achieving, at a minimum, a 7.0% rate of return, investments are allocated amongst various asset classes. Each asset class reacts differently under the same market conditions. Often when one asset class has strong returns, another will have lower or even negative returns. This diversification of investments across a number of asset classes ensures a better return under a range of market conditions, while lowering the overall portfolio risk.

GGRF's target allocation versus the market allocation as of September 30, 2023, is as follows:

	Target Allocation	Market Allocation	Over/(Under)
Domestic Large Cap Equity	30.0%	32.7%	2.7%
Non-U.S. Equity	20.0%	20.6%	0.6%
Fixed Income	22.0%	18.6%	-3.4%
Global Real Estate (REITs)	2.5%	1.6%	-0.9%
Risk Parity	8.0%	8.0%	0.0%
High Yield	8.0%	7.6%	-0.4%
Global Equity	7.5%	8.1%	0.6%
Global Listed Infrastructure	2.0%	2.4%	0.4%
Cash	0.0%	0.4%	0.4%
Total	100%	100.0%	0.0%

The table below shows portfolio returns and indices, which are reflective of the market environment for 2023 and 2022.

	2023	2022
Total Portfolio	11.34%	-18.04%
Blended Index	12.98%	-18.79%
Domestic Equity	18.88%	-16.21%
Benchmark Index	18.99%	-17.57%
International Equity	18.63%	-26.28%
Benchmark Index	21.34%	-26.11%
Fixed Income	-1.32%	-15.70%
Benchmark Index	-2.29%	-16.49%
High Yield	10.44%	-13.62%
Benchmark Index	10.28%	-14.15%
Global REITs	-2.00%	-19.99%
Benchmark Index	2.03%	-20.49%
Risk Parity	2.31%	-22.34%
Benchmark Index	5.92%	-17.14%
Global Equity	13.20%	-9.95%
Benchmark Index	20.80%	-21.18%
Global Listed Infrastructure	5.52%	-
Benchmark Index	0.51%	-

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

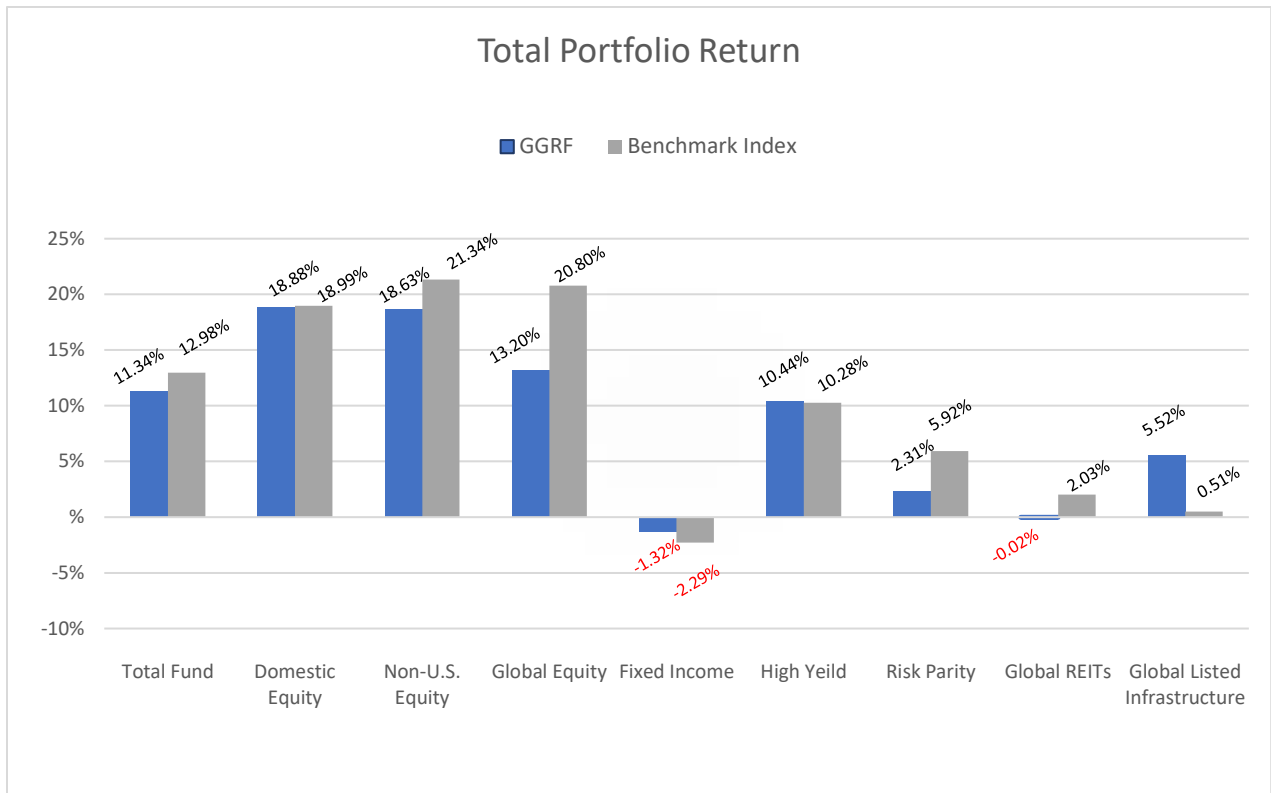
September 30, 2023

(3) Defined Benefit Plan, continued

Total Portfolio Return

For 2023, the GGRF Portfolio had a return of 11.34% underperforming the benchmark index with a return of 12.98%.

The following reflects the 2023 investment performance for the total portfolio, and for each investment mandate.



GOVERNMENT OF GUAM RETIREMENT FUND

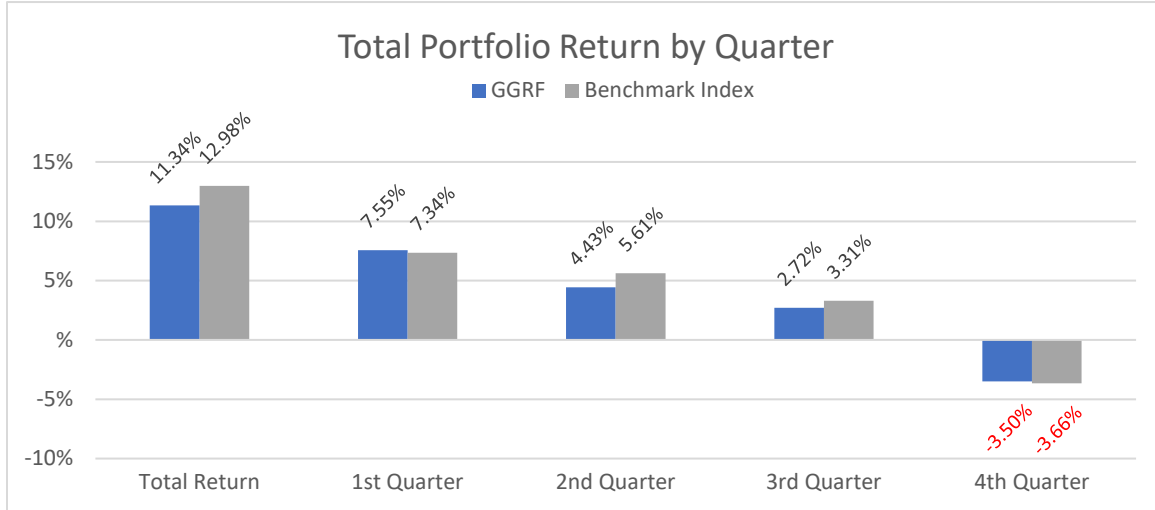
Management’s Discussion and Analysis, continued

September 30, 2023

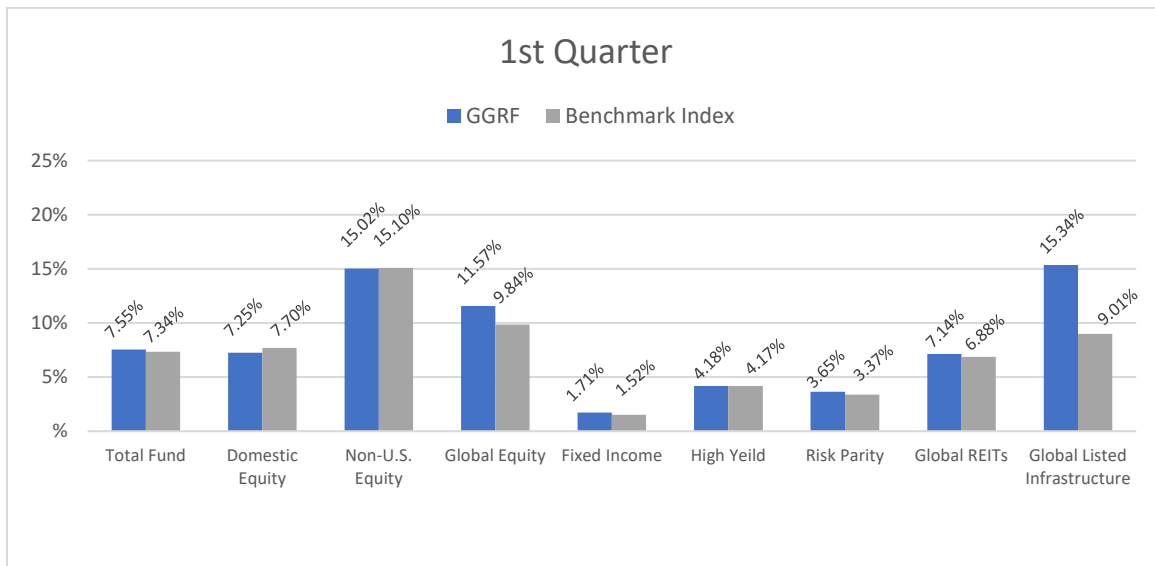
(3) Defined Benefit Plan, continued

2023 Portfolio Returns by Quarter

The following reflects the 2023 total and quarterly returns.



- During the **first quarter** of 2023, the GGRF portfolio returned 7.55%, compared to the benchmark return of 7.34%, ranking at the 15th percentile of Wilshire’s peer group universe for the quarter. U.S. Equity and International Equity underperformed their benchmarks over the quarter.



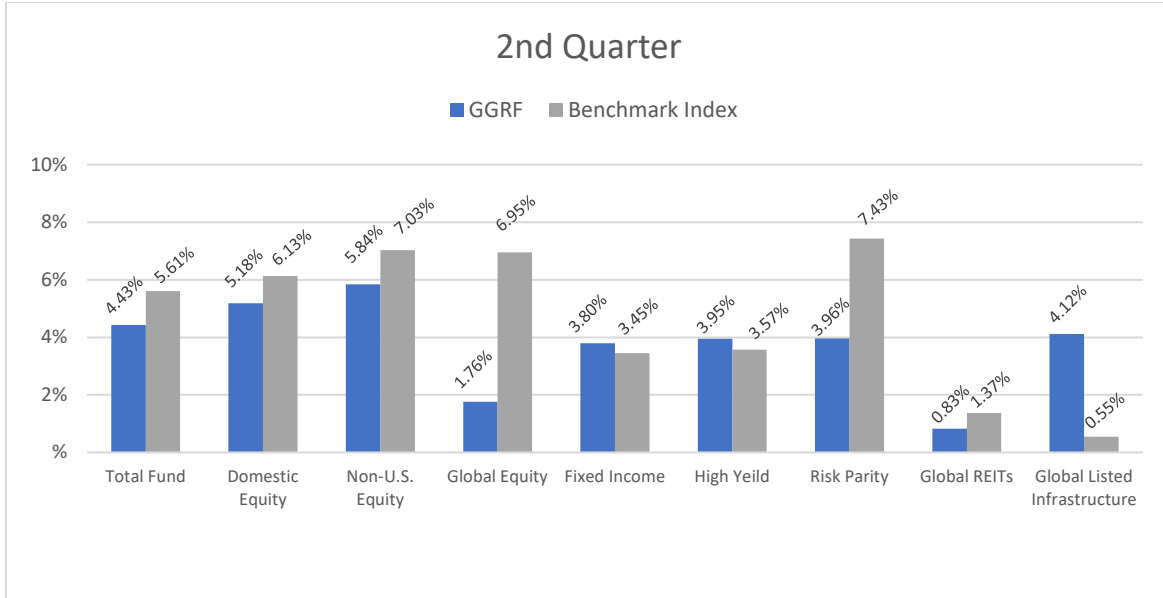
GOVERNMENT OF GUAM RETIREMENT FUND

Management’s Discussion and Analysis, continued

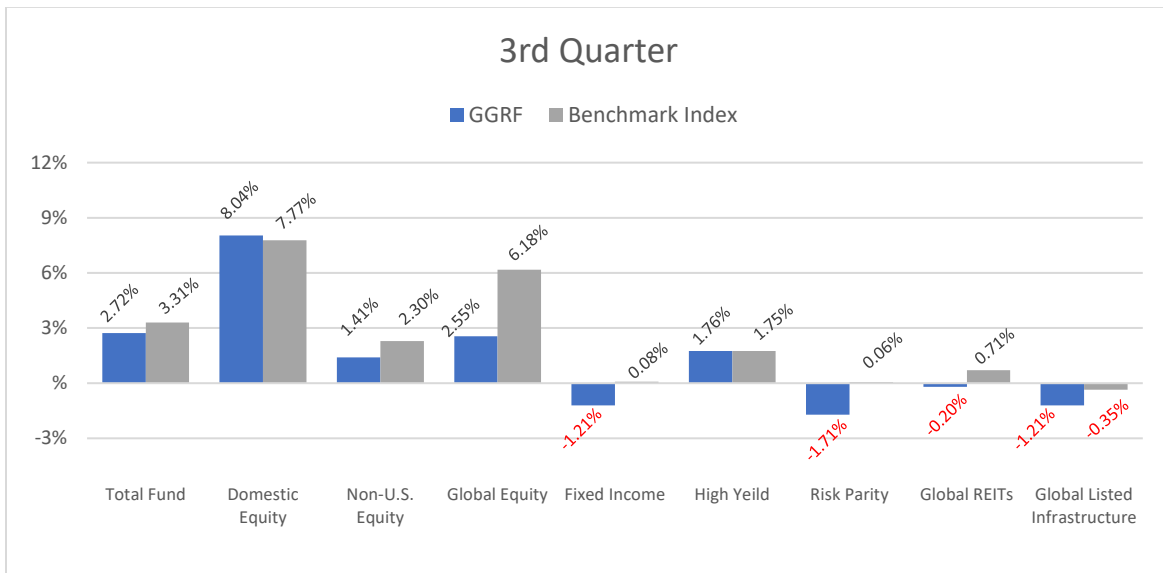
September 30, 2023

(3) Defined Benefit Plan, continued

- During the **second quarter**, the GGRF portfolio had a return of 4.43%, compared to the benchmark return of 5.61%, ranking at the 60th percentile of Wilshire’s peer group universe for the quarter. Domestic Equity, Non-U.S. Equity, Risk Parity and Global REITs were detractors.



- During the **third quarter**, the GGRF portfolio had a return of 2.72% compared to the benchmark index of 3.31%, ranking at the 60th percentile of Wilshire’s peer group universe for the quarter. All mandates except Domestic Equity underperformed their benchmarks.



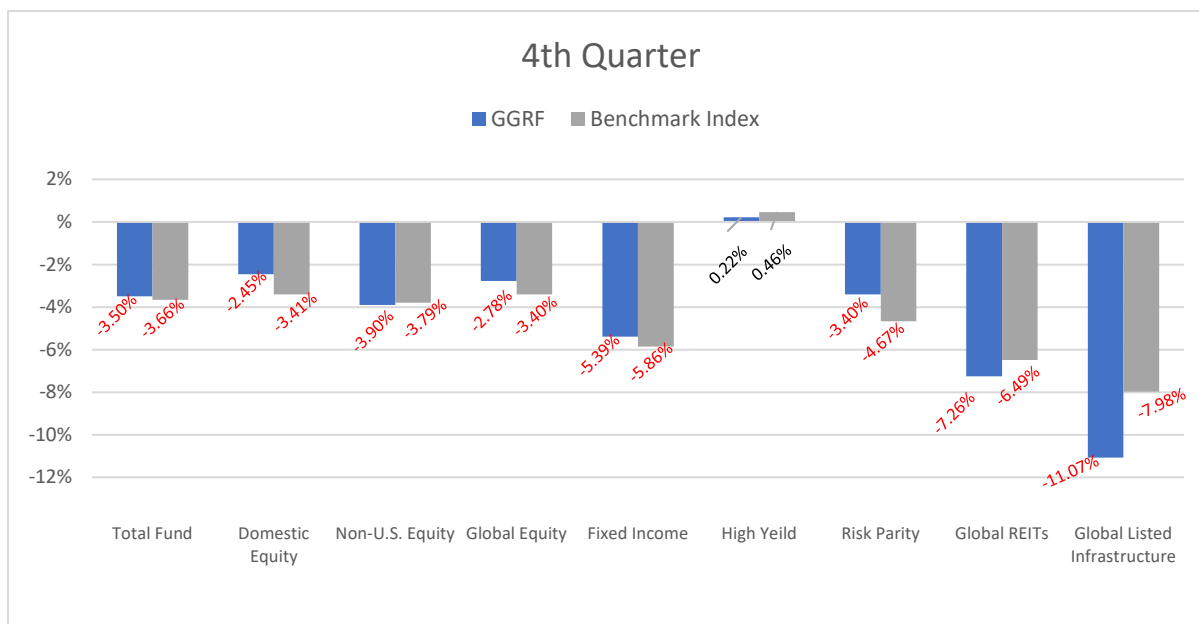
GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(3) Defined Benefit Plan, continued

During the **fourth quarter**, the GGRF portfolio had a negative return of 3.50%, compared to the benchmark index of negative 3.66%, ranking at the 73rd percentile of Wilshire's peer group universe for the quarter. Global REITs and Global Listed Infrastructure were the biggest detractors.



Mitigating the Effects of Market Volatility through Diversification

GGRF's portfolio remains fully diversified across the different asset classes. A number of investment managers are utilized within each asset class, allowing the portfolio to achieve broad exposure to the market while minimizing overall risk. This broad diversification serves as the best defense against the uncertainty of volatile investment markets.

To mitigate other risks, the Board, with the guidance of GGRF's investment consultant, Wilshire Consulting consistently evaluates the relative performance of each mandate and individual managers, and rebalances the portfolio accordingly.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(3) Defined Benefit Plan, continued

Additions and Deductions to DB Plan Net Position for the years ended September 30, 2023 and 2022 are as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023	
			\$	%
Net Appreciation in Fair Value of Investments	\$ 166,394,961	\$ (427,351,840)	\$ 593,746,801	138.9%
Interest, Dividends & Other Investment Income	39,056,549	41,156,659	(2,100,110)	-5.1%
Less Investment Expenses	5,313,438	5,522,446	(209,008)	-3.8%
Net Investment Income	200,138,072	(391,717,627)	591,840,587	151.1%
Employer Contributions	147,930,940.00	134,834,836	13,096,104	9.7%
Member Contributions	24,023,499.00	25,342,204	(1,318,705)	-5.2%
Total Contributions	171,954,439	160,177,040	11,777,399	7.4%
Total Additions	\$ 372,092,511	\$ (231,540,587)	\$ 603,633,098	260.7%
Benefit Payments	253,023,271	248,745,287	4,277,984	1.7%
Refunds	2,945,758	2,155,285	790,473	36.7%
Interest on Refunds	228,123	475,244	(247,121)	-52.0%
Administrative Expenses	3,153,721	2,994,556	159,165	5.3%
Total Deductions	\$ 259,350,873	\$ 254,370,372	\$ 4,980,501	2.0%
Net Increase (Decrease) in Net Position	\$ 112,741,638	\$ (485,910,959)		

Additions to DB Plan Net Position

During 2023, the net appreciation in fair value of investments was approximately \$166M compared to the \$427M depreciation in fair value of investments in 2022. This was due largely to market fluctuations, which also resulted in the investment portfolio return of 11.34% for 2023.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(3) Defined Benefit Plan, continued

Deductions to DB Plan Net Position

GGRF was created to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, elective refunds of contributions to employees who terminate employment, and the cost of administering the Plan. For 2023, deductions totaled \$259.3 million, an increase of 2.0% over 2022.

Benefit payments to current retirees and their beneficiaries over the last two years averaged 98% of total deductions. For 2023, benefit payments increased by \$4.3 million or 1.7%, consisting of a \$2.9 million increase in age and service annuities, a \$1.7M increase in survivor annuities, and a \$300,000 decrease in disability annuities. Benefit payments for DB Plan retirees are not affected by the market downturn as they are based on a formula reflecting years of service and average annual salary. DB Plan investments, combined with future earnings and additional member and employer contributions, will be used to pay retirement benefits.

DB Plan membership as of September 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023
Retirees and Beneficiaries Receiving Benefits	7,364	7,435	(71)
Terminated Members entitled to, but not Receiving Benefits	2,998	3,022	(24)
Active - DB Members	915	1,031	(116)
Active - DB 1.75 Members	2,532	2,662	(130)
Total Membership	13,809	14,150	(341)

Liquidations

During 2023, \$90 million in investments were liquidated in order to meet benefit payment obligations, compared to \$98 million in 2022. The \$90M and \$98M included \$38M and \$39M of interest and dividend income, respectively.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(4) Defined Contribution Plan

The DC Plan was created by Public Law 23-42:3. All new employees whose employment commences on or after October 1, 1995 are required to participate in the DC Plan.

DC Plan Net Position as of September 30, 2023 and 2022 are as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023	
			\$	%
Cash and Equivalents	\$ 1,008,264	\$ 1,760,256	\$ (751,992)	-42.7%
Receivables	1,696,968	1,502,451	194,517	12.9%
Investments	476,015,884	406,068,911	69,946,973	17.2%
Property and Equipment	21,043	23,656	(2,613)	-11.0%
Deferred Outflows	320,383	296,295	24,088	8.1%
Total Assets and Deferred Outflows	479,062,542	409,651,569	69,410,973	16.9%
Total Liabilities	1,343,034	1,206,530	136,504	11.3%
Deferred Inflows	226,360	182,137	44,223	24.3%
Net Position, End of Year	477,493,148	408,262,902	69,230,246	17.0%
Net Position, Beginning of Year	408,262,902	492,288,934	(84,026,032)	-17.1%
Net Increase (Decrease) in Net Position	\$ 69,230,246	\$ (84,026,032)		

During 2023, DC Plan investments increased by approximately \$70 million or 17.2% from the 2022 total due largely to market fluctuations. The increase in investments resulted in a corresponding boost in DC Plan net position of \$69 million in 2023.

DC Plan investments include core mutual funds, and target date funds. The core mutual funds allow members to create their own portfolios based on the type of investments that best fit their time horizon, risk tolerance and investment goals. During 2023, there were no changes to the investment line-up of the DC Plan as strategies continued to perform in line with expectations.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(4) Defined Contribution Plan, continued

Additions and Deductions to DC Plan Net Position for the years ended September 30, 2023 and 2022 are as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023	
			\$	%
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 39,063,687	\$ (115,508,532)	\$ 154,572,219	133.8%
Interest, Dividends & Other Investment Income	16,452,896	23,859,379	(7,406,483)	-31.0%
Less Investment Expenses	230,985	145,178	85,807	59.1%
Net Investment Income	55,285,598	(91,794,331)	147,079,929	160.0%
Employer Contributions	22,048,006	19,094,610	2,953,396	15.5%
Member Contributions	21,961,495	19,021,591	2,939,904	15.5%
Total Contributions	44,009,501	38,116,201	5,893,300	15.5%
Total Additions	99,295,099	(53,678,130)	152,973,229	-285.0%
Refunds	27,751,980	28,205,191	(453,211)	-1.6%
Administrative Expenses	2,312,873	2,142,711	170,162	7.9%
Total Deductions	30,064,853	30,347,902	(283,049)	-0.9%
Net Increase (Decrease) in Net Position	\$ 69,230,246	\$ (84,026,032)		

Additions (deductions) to DC Plan Net Position

During 2023, the net appreciation in fair value of investments was \$39M compared to the \$116M depreciation in fair value of investments in 2022. The appreciation in investments was due largely to market fluctuations. Interest and dividends received on plan investments decreased from \$24M in 2022 to \$16M in 2023. During 2021, higher dividends from stocks were offset by lower interest from bond and Stable Value investments.

Employee contributions to the DC Plan are based on an automatic deduction of 6.2% of the member's regular base pay. Statutory contributions are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 6.2% of the member's regular base pay is deposited into the member's individual account. The remaining amount is contributed towards the unfunded liability of the DB Plan. Members who have completed five years of service are fully vested in employer contributions plus any earnings thereon.

Refunds of member contributions are at the discretion of the member and vary from year to year.

GOVERNMENT OF GUAM RETIREMENT FUND

Management’s Discussion and Analysis, continued

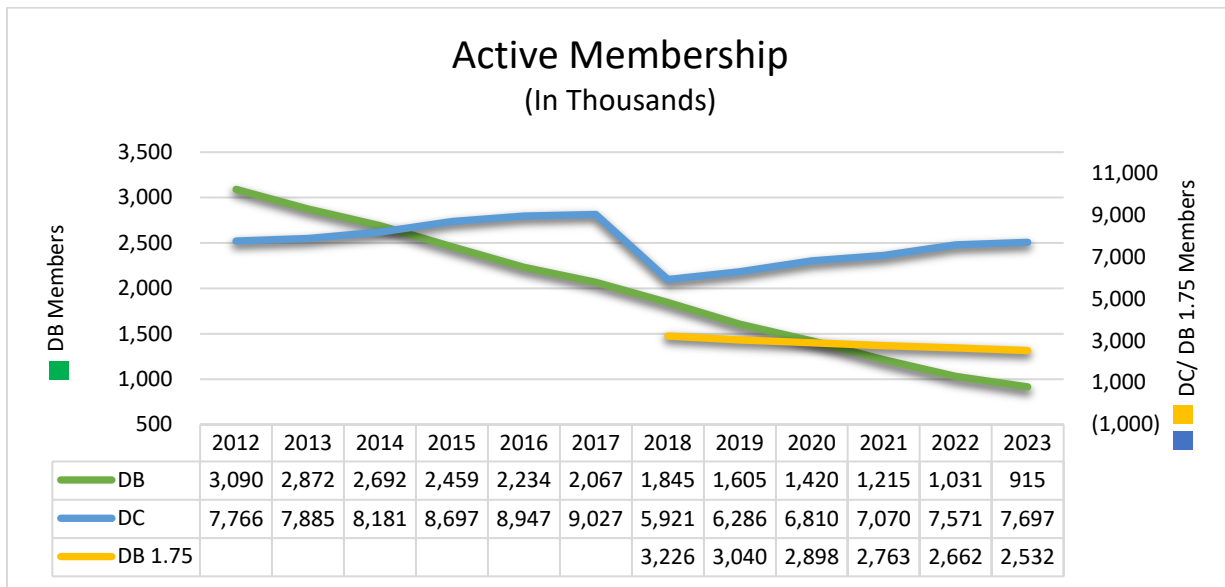
September 30, 2023

(4) Defined Contribution Plan, continued

DC Plan membership as of September 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease) From 2022 to 2023
Active(Contributing) Members	7,697	7,571	126
Inactive (Non-Contributing Members) with Account Balances	8,360	7,945	415
Total Membership	16,057	15,516	541

(5) Future Outlook



Active membership in the DB and DB 1.75 Plans will continue to decrease as members retire, while membership in the DC Plan will continue to increase as a result of the recruitment of new employees. The decrease in the DC Plan in 2018 was due to the transfer of DC Plan participants to the DB 1.75 Plan effective January 1, 2018.

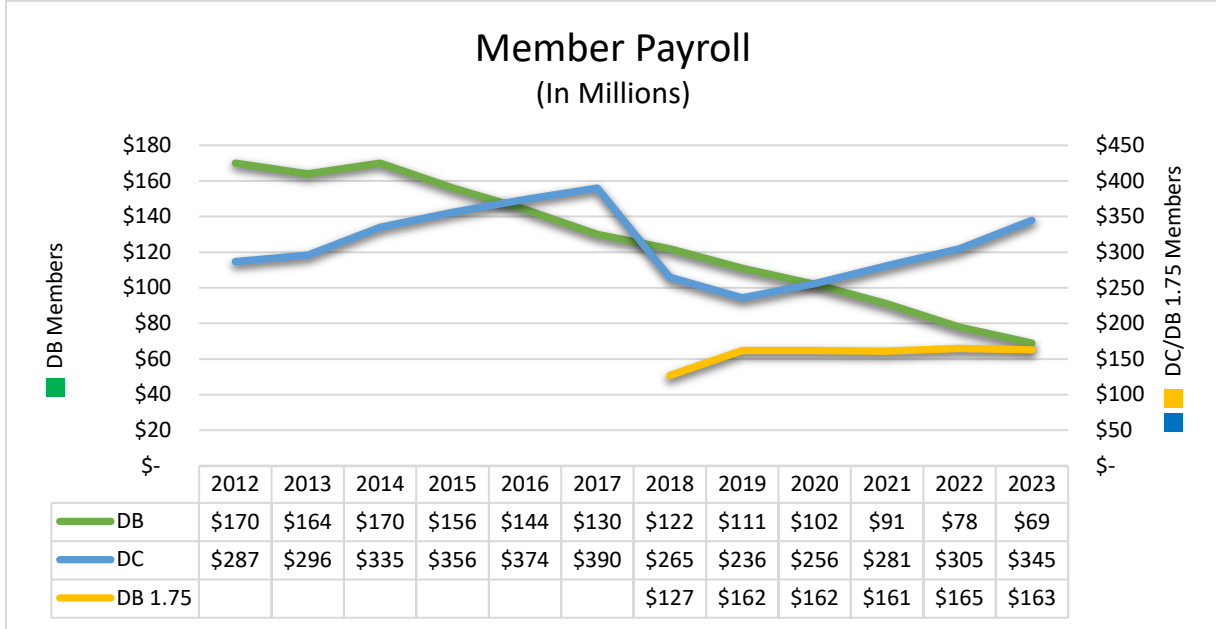
GOVERNMENT OF GUAM RETIREMENT FUND

Management’s Discussion and Analysis, continued

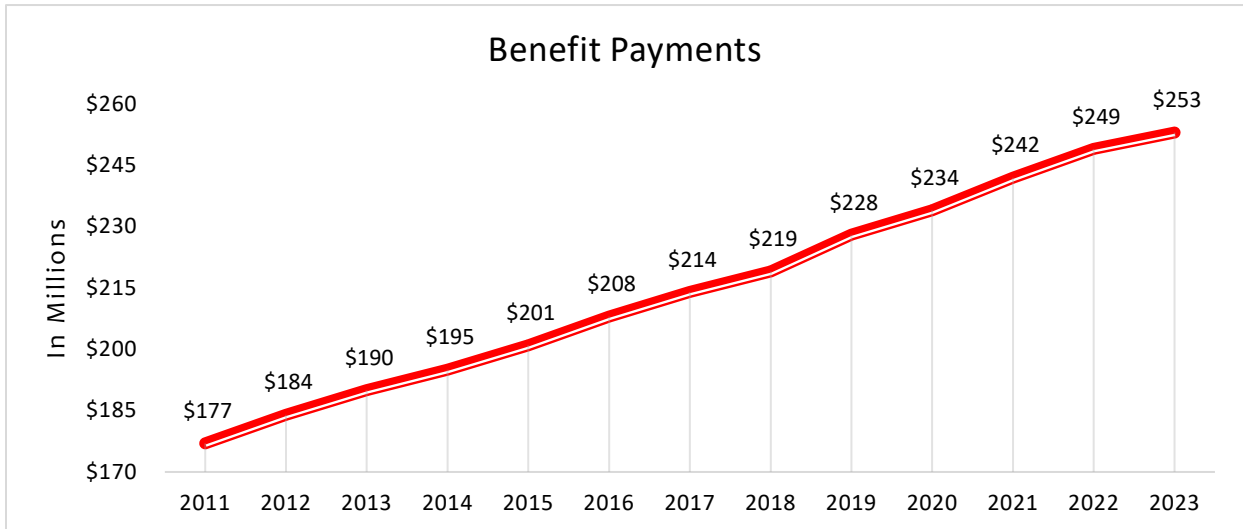
September 30, 2023

(5) Future Outlook, continued

The corresponding increases (decreases) in Member Payroll are reflected below.



DB Benefit Payments



The number of retired DB and DB 1.75 members has increased from 7,117 in 2011, to an estimated 7,364 in 2023. Annual benefit payments have also increased from \$177 million in 2011, to an estimated \$253 million in 2023. Looking ahead, benefit payments for DB retirees are expected to increase as active members continue to retire.

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis, continued

September 30, 2023

(5) Future Outlook, continued

Looking Forward

As we enter Fiscal Year 2023, our focus will be to continue to navigate the rapidly changing economy by working with our Investment Consultants (for both the DB and DC Plans) to continue to strengthen the Fund. It should be noted that the DB Plan investments posted a positive return of 9.45% for the quarter ended December 31, 2023, while DC Plan investments increased to \$529 million.

Relative to the above objectives, the Board will perform quarterly investment performance reviews and rebalance GGRF's investment portfolio accordingly.

Defined Benefit Plan

The GGRF Board will continue to revisit on an annual basis the asset allocation policy of the Defined Benefit Plan, related statutes, and the overall structure for managing GGRF assets, to ensure assets are managed in accordance with the following objectives:

1. Ensuring payment of all benefit and expense obligations when due.
2. Maximizing expected return within reasonable and prudent risk levels.
3. Maximizing the probability of achieving the actuarial rate of return assumption.
4. Controlling costs of administering GGRF and managing the investments.

According to Wilshire, looking forward, elevated asset valuations and the possible lag effects from the Federal Reserve's rate hikes may indicate lower expected returns for the next few years, while election year market dynamics may present positive technical support for 2024.

Defined Contribution Plan

According to Mercer, our DC Plan Investment Consultant, we expect to see lower rates of economic growth in the US as the lagged impact of increases in interest rates work their way through the economy and fiscal policy becomes less supportive. Nevertheless, a recession remains unlikely and inflation should return to target, supported by labor market rebalancing. The Federal Reserve appears to have concluded its interest rate hiking campaign, and is likely to embark on interest rate cuts in the coming quarters as restrictive policy will no longer be required. This is likely to support investor sentiment, and returns for both stocks and bonds, although valuation levels for some sectors of the stock market look rich. Meanwhile, outside of the US, China is stepping up its stimulus to support growth and confidence, while Japan appears to be transitioning away from the low growth and low inflation environment that persisted for the last 30 years.

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Fiduciary Net Position

September 30, 2023 (with Comparative Totals for 2022)

	Defined <u>Benefit</u>	Defined <u>Contribution</u>	2023 <u>Total</u>	2022 <u>Total</u>
<u>ASSETS</u>				
Investments, at fair value:				
Common and preferred stocks	\$ 1,328,842,274	\$ -	\$ 1,328,842,274	\$ 1,200,878,984
U.S. Government securities	265,370,061	-	265,370,061	245,915,400
Corporate bonds and notes	216,239,024	-	216,239,024	254,638,296
Money market funds	26,811,000	-	26,811,000	26,925,878
Mutual funds	35,165,559	468,781,643	503,947,202	429,454,239
Mutual funds - DC plan forfeitures	-	7,234,241	7,234,241	6,776,515
Total investments	<u>1,872,427,918</u>	<u>476,015,884</u>	<u>2,348,443,802</u>	<u>2,164,589,312</u>
Receivables:				
Contributions, Interest & Penalties:				
Employer contributions, net	2,306,891	775,444	3,082,335	2,846,001
Employer contributions, unfunded liability	2,788,733	-	2,788,733	2,432,115
Member contributions	780,485	773,963	1,554,448	1,414,966
Interest and penalties on contributions	95,356	-	95,356	95,356
Supplemental/Insurance benefits advanced	1,996,097	-	1,996,097	1,996,097
	<u>7,967,562</u>	<u>1,549,407</u>	<u>9,516,969</u>	<u>8,784,535</u>
Member Notes: Service Credits	789,591	-	789,591	985,143
Other:				
Accrued interest and dividends on investments	5,884,730	-	5,884,730	6,392,661
Other receivables	725,085	147,561	872,646	774,959
Due from brokers for unsettled trades	8,457,347	-	8,457,347	14,255,724
Due from DC plan	293,590	-	293,590	260,942
	<u>15,360,752</u>	<u>147,561</u>	<u>15,508,313</u>	<u>21,684,286</u>
Total receivables	<u>24,117,905</u>	<u>1,696,968</u>	<u>25,814,873</u>	<u>31,453,964</u>
Cash and cash equivalents	8,481,607	1,008,264	9,489,871	7,951,301
Prepaid expenses	-	-	-	18,750
Property and equipment	627,477	21,043	648,520	584,460
Total assets	<u>1,905,654,907</u>	<u>478,742,159</u>	<u>2,384,397,066</u>	<u>2,204,597,787</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred outflows of resources from pension	1,581,779	320,383	1,902,162	769,374
Deferred outflows - OPEB	1,505,467	-	1,505,467	2,151,184
Total deferred outflows of resources	<u>3,087,246</u>	<u>320,383</u>	<u>3,407,629</u>	<u>2,920,558</u>
Total assets and deferred outflows	<u>1,908,742,153</u>	<u>479,062,542</u>	<u>2,387,804,695</u>	<u>2,207,518,345</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	4,174,536	722,872	4,897,408	4,846,056
Due to brokers for unsettled trades	11,725,236	-	11,725,236	13,432,086
Due to DB plan	-	293,590	293,590	260,942
Total current liabilities	<u>15,899,772</u>	<u>1,016,462</u>	<u>16,916,234</u>	<u>18,539,084</u>
Net pension liability	5,655,587	326,572	5,982,159	4,576,811
Net OPEB liability	8,580,923	-	8,580,923	11,217,168
Total liabilities	<u>30,136,282</u>	<u>1,343,034</u>	<u>31,479,316</u>	<u>34,333,063</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred inflows from pension	381,175	226,360	607,535	1,144,475
Deferred inflows - OPEB	4,583,511	-	4,583,511	2,878,358
Total deferred inflows of resources	<u>4,964,686</u>	<u>226,360</u>	<u>5,191,046</u>	<u>4,022,833</u>
Net position restricted for pensions (See required supplemental schedule of funding progress)	<u>\$ 1,873,641,185</u>	<u>\$ 477,493,148</u>	<u>\$ 2,351,134,333</u>	<u>\$ 2,169,162,449</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Changes in Fiduciary Net Position

Year ended September 30, 2023 (with Comparative Totals for 2022)

	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>2023 Total</u>	<u>2022 Total</u>
Investment income				
Net appreciation (depreciation) in fair value of investments	\$ 166,394,961	\$ 39,063,687	\$ 205,458,648	\$ (542,860,372)
Interest	20,763,507	16,221,108	36,984,615	45,619,633
Dividends	17,285,665	-	17,285,665	18,486,701
Other investment income	1,007,377	231,788	1,239,165	909,704
	<u>205,451,510</u>	<u>55,516,583</u>	<u>260,968,093</u>	<u>(477,844,334)</u>
Less investment expenses	5,313,438	230,985	5,544,423	5,667,624
Net investment income	<u>200,138,072</u>	<u>55,285,598</u>	<u>255,423,670</u>	<u>(483,511,958)</u>
Contributions				
Employer	147,930,940	22,048,006	169,978,946	153,929,446
Member	24,023,499	21,961,495	45,984,994	44,363,795
Total contributions	<u>171,954,439</u>	<u>44,009,501</u>	<u>215,963,940</u>	<u>198,293,241</u>
TOTAL ADDITIONS	372,092,511	99,295,099	471,387,610	(285,218,717)
Benefit payments				
Age and service annuities	214,703,487	-	214,703,487	211,752,842
Survivor annuities	34,253,411	-	34,253,411	32,575,864
Disability annuities	4,066,373	-	4,066,373	4,416,581
Total benefit payments	<u>253,023,271</u>	<u>-</u>	<u>253,023,271</u>	<u>248,745,287</u>
Refunds to separated employees and withdrawals	2,945,758	27,751,980	30,697,738	30,360,476
Administrative and general expenses	3,153,721	2,312,873	5,466,594	5,137,267
Interest on refunded contributions	228,123	-	228,123	475,244
TOTAL DEDUCTIONS	<u>259,350,873</u>	<u>30,064,853</u>	<u>289,415,726</u>	<u>284,718,274</u>
Net increase(decrease) in plan net position	112,741,638	69,230,246	181,971,884	(569,936,991)
Net position restricted for pensions, beginning of year	1,760,899,547	408,262,902	2,169,162,449	2,739,099,440
Net position restricted for pensions, end of year	<u>\$ 1,873,641,185</u>	<u>\$ 477,493,148</u>	<u>\$ 2,351,134,333</u>	<u>\$ 2,169,162,449</u>

The accompanying notes are an integral part of these financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statement

September 30, 2023

(1) DESCRIPTION OF THE FUND

The following brief description of the Government of Guam Retirement Fund (GGRF) is provided for general information purposes only. Members should refer to Title 4, Chapter 8, Articles 1 and 2 of the Guam Code Annotated (GCA) for more complete information.

PURPOSE

The Government of Guam Retirement Fund was established and became operative on May 1, 1951 to provide retirement annuities and other benefits to employees of the Government of Guam. The 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 of Trustees comprises seven members, four of whom are elected and three of whom are appointed by the Governor with the advice and consent of the Legislature. Two of the elected members must be GGRF retirees domiciled in Guam. These two members are elected by GGRF retirees. The other two elected members must be GGRF members with at least five years of employment by the Government of Guam. These two members are elected by GGRF active members. The GGRF is accounted for as a blended component unit, fiduciary fund type, pension trust fund of the Government of Guam.

(2) DESCRIPTION OF THE DEFINED BENEFIT PLAN

MEMBERSHIP

The Defined Benefit Plan (DB) is a single-employer defined benefit pension plan and membership is mandatory for all employees in the service of the Government of Guam on the operative date. 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 Plan.

The following employees have the option of accepting or rejecting membership and become members only upon submission of a written request to the Board for membership:

1. Employees hired for a definite agreed term or who at the time of employment are not domiciled on Guam.
2. Employees of a public corporation of the Government of Guam or of the University of Guam.
3. Any employee whose employment is purely temporary, seasonal, intermittent or part time.

INELIGIBLE PERSONS

The following employees are not eligible for membership:

1. Persons whose services are compensated on a fee basis.
2. Independent contractors.
3. Persons whose employment is for a specific project.
4. Persons who are employed in the Senior Citizens Community Employment Program.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(2) DESCRIPTION OF THE DEFINED BENEFIT PLAN, CONTINUED

At September 30, 2023, membership is as follows:

Retirees and beneficiaries receiving benefits	7,364
Terminated members entitled to, but not yet receiving benefits	2,998
Active plan members-DB	915
Active plan members-DB 1.75	<u>2,532</u>
	<u>13,809</u>

The Defined Benefit 1.75 Plan (DB 1.75) became effective January 1, 2018. All employees who were in the Defined Contribution Plan and were still employed had the option to transfer to the DB 1.75 Plan effective January 1, 2018. Employees hired on or after January 1, 2018 are not eligible for the DB or DB 1.75 Plans.

CONTRIBUTIONS

Contributions are set by law. Member contributions are required at 9.5% of base pay.

Based on the actuarial valuation as of September 30, 2022, which was issued in May 2023, the employer's actuarially determined contribution rate for the fiscal year ended September 30, 2023 was 29.43% of covered payroll.

The established statutory rates at September 30, 2023 were 28.32%.

RETIREMENT, DISABILITY AND SURVIVOR BENEFITS

Under the defined benefit plan, retirement benefits are based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or \$6,000, whichever is greater.

Members who joined the DB plan prior to October 1, 1981 may retire with 10 years of service at age 60 (age 55 for uniformed personnel); or 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 25 years of service at any age.

Members who joined the DB plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 30 years of service at any age.

Members who joined the DB plan after August 22, 1984 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or completion of 30 years of service at any age.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(2) DESCRIPTION OF THE DEFINED BENEFIT PLAN, CONTINUED

SERVICE BENEFIT FORMULA

The basic retirement benefit for the DB Plan is computed as the sum of the following:

1. An amount equal to two percent (2%) of the average annual salary for each of the first ten years of credited service and two and one-half percent (2.5%) of average annual salary for each year or part thereof of credited service over ten years.
2. An amount equal to twenty dollars (\$20) multiplied by each year of credited service, the total of which is reduced by an amount equal to a hundredth of one percent (.01%) of said total for each one dollar (\$1) that a member's average annual salary exceeds six thousand dollars (\$6,000).

The basic annuity is limited to a maximum of eighty-five percent (85%) of the average annual salary, and cannot be less than one thousand two hundred dollars (\$1,200) per year.

DISABILITY

Members under the age of 65 with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty-six and two-thirds percent (66-2/3%) of the average of their three highest annual salaries received during years of credited service.

SURVIVOR

In the event of death of a member who completed at least 3 years of total service, the following benefits are payable:

1. Spouse – annual benefit is equal to sixty percent (60%) of the disability or service retirement benefit earned by the member.
2. Minor children – Basic benefit is \$2,880 per year for a minor child up to 18 years of age (up to age 24 if a full-time student).

SEPARATION FROM THE DB PLAN

Upon complete separation from service before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. Public Law 27-68 raised the time frame under which a refund was available from 20 years to 25 years, effective February 6, 2004.

A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving a service retirement benefit upon attainment of the age of 60 years.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(2) DESCRIPTION OF THE DEFINED BENEFIT PLAN, CONTINUED

DB 1.75 PLAN

In accordance with Public Law 33-186:

The Defined Benefit 1.75 Plan became effective on January 1, 2018. 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.

For the DB 1.75 Plan, a basic annuity of 1.75% of “average annual salary” is provided for each year of credited service. The annuity is limited to a maximum of eighty-five percent (85%) of the average annual salary, and cannot be less than one thousand two hundred dollars (\$1,200) per year.

(3) DESCRIPTION OF THE DEFINED CONTRIBUTION RETIREMENT SYSTEM

PURPOSE

The Defined Contribution Retirement System (DCRS) 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 GGRF Board of Trustees is responsible for the general administration and operation of the fund. The DCRS, by its nature, is fully funded on a current basis from employer and member contributions.

MEMBERSHIP

The DCRS 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.

Effective October 1, 1995, existing members of the DB plan with less than 20 years of service credit may, upon written election, voluntarily elect membership in the DCRS. This option was available for sixty-five (65) months after enactment of the legislation, and is available between March 1 and May 31 of every year, beginning in the year 2002. After making the election to transfer, the employee may not change the election or again become a member of the DB plan.

At September 30, 2023, membership is as follows:

Active contributing members	7,697
Inactive members with account balances	<u>8,360</u>
	<u>16,057</u>

CONTRIBUTIONS

Effective October 1, 1995, DC Plan member and employer contributions were set by law at five percent (5%) of base pay. In accordance with Public Law 33-186, effective January 1, 2018, member and employer contribution rates increased from five percent (5%) to six and two-tenths percent (6.2%) of base pay.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(3) DESCRIPTION OF THE DEFINED CONTRIBUTION RETIREMENT SYSTEM, CONTINUED

SEPARATION FROM THE DCRS

Any member who leaves government service after attaining 5 years of total service is entitled to receive their total contribution plus 100% of the employer contribution and any earnings thereon.

Any member who leaves government service with less than 5 years of total service is entitled to receive their total contribution plus any earnings thereon.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

METHOD OF ACCOUNTING

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. Employer contributions are recognized when the employer has made a formal commitment to provide the contributions pursuant to legal requirements. Contributions from employees and employers for service through September 30, 2023 are accrued.

These contributions are considered fully collectible; accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Guam Code Annotated.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

COMPARATIVE TOTALS

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the GGRF financial statements for the fiscal year ended September 30, 2022, from which the summarized information was derived.

CASH

At September 30, 2023, the GGRF has cash balances in banks of approximately \$9.8M, of which \$250,000 is insured by the Federal Deposit Insurance Corporation, and of which includes approximately \$2.3M in outstanding checks. The remaining balances are collateralized by securities held by a trustee in the name of the financial institution.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

INVESTMENTS

Investments include U.S. Federal Government and agency obligations, foreign government obligations, real estate, commercial mortgages, corporate debt, mutual funds, and equity instruments. Investments are reported at fair value. Securities transactions and any resulting gains or losses are accounted for on a trade date basis.

Investments other than real estate, commercial mortgages and other loans, and municipal revenue bonds are reported at market values determined by the custodial agents. The agent's determination of market values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Commercial mortgages and other loans and municipal revenue bonds have been valued on an amortized cost basis, which approximates market or fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible. Short-term investments are reported at cost, which approximates market value.

For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, has determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

Northern Trust Company held the investments as custodian in the Fund's name through September 30, 2023. In addition, the Fund has selected investment managers who are given authority to purchase and sell securities in accordance with the following guidelines:

A. Investment managers may invest in U.S. and non-U.S. common stocks, American Depository Receipts (ADRs), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities.

1. U.S.-Equities:

- a. Equity holdings are restricted to readily marketable securities of corporations that are actively traded on the major U.S. exchanges and over the counter.
- b. Common and preferred stock:
 - i. The issuing institution has reported a profit in at least four of the five fiscal years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.
 - ii. The issuing institution has paid a cash dividend on its common or capital stock in at least four of the five years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- iii. Total cash dividends have not exceeded total earnings in five years preceding the date of investment.
 - iv. On the date of investment, the issuer is not in default in payment of principal or interest on any of its publicly held bonds or other evidence of indebtedness, and any contingent interest, cumulative and non-cumulative preferred dividends and dividends on prior common or capital stock have been paid in full.
 - v. Preferred stock must also adhere to the following:
The net earnings of the institution available for fixed charges over a period of five fiscal years preceding the date of investment have averaged per year, and during either of the last two years have been, after depreciation and income taxes, no less than:
 - 1. Two times its average annual fixed charges, maximum contingent interest and preferred dividend requirements over the same period, in the case of any public utility company; or,
 - 2. Three times its average annual fixed charges, maximum contingent interest and preferred dividend requirements over the same period, in the case of any other company.
2. U.S. Fixed Income:
- a. All fixed income securities held in the portfolio must have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. Government agencies are qualified for inclusion in the portfolio.
 - b. No more than twenty percent (20%) of the market value of the portfolio may be rated less than single "A" quality, unless the manager has specific written authorization. Eighty percent (80%) of the fixed income portfolio must be in bonds of credit quality of no less than "A".
 - c. Total portfolio quality (capitalization weighted) must maintain an "A" minimum rating.
 - d. In case such bonds or other evidence of indebtedness are not so rated by two nationally recognized and published rating services, the net earnings available for fixed charges over a period of five fiscal years preceding the date of investment have averaged per year and during either of the last two years have been, after depreciation and taxes, not less than:
 - i. Two times its average annual fixed charges over the same period, in the case of any public utility company;

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- ii. One and one-half times its average annual fixed charges over the same period, in the case of any financial company; or,
 - iii. Three times its average annual fixed charges over the same period, in the case of any other company.
 - e. With the written petition and subsequent written approval of the Trustees, opportunistic investment bonds issued by national governments other than the United States or foreign corporations may comprise up to six percent (6%) of each fixed-income manager's portfolio. In no case shall these investments exceed three and one-half percent (3.5%) of the total GGRF investments. All non-U.S. securities will be, in the judgment of the investment managers, of credit quality equal to or superior to the standards described above.
- 3. Non-U.S. Equities
 - a. Common or capital stock of any institution or entity created or existing under the laws of any foreign country are permissible investments, provided that:
 - i. The issuing institution has reported a profit in at least four of the five fiscal years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.
 - ii. The issuing institution has paid a cash dividend on its common or capital stock in at least four of the five years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.
 - iii. Total cash dividends have not exceeded total earnings in five years preceding the date of investment.
 - iv. On the date of investment, the issuer is not in default in payment of principal or interest on any of its publicly held bonds or other evidences of indebtedness, and any contingent interest, cumulative and non-cumulative preferred dividends and dividends on prior common or capital stock have been paid in full.
 - b. Consistent with the desire to maintain broad diversification, allocations to any country, industry or other economic sector should not be excessive.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

4. Cash and Cash Equivalents

- a. Cash equivalent reserves must consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, time deposits, and repurchase agreements are also acceptable investment vehicles. All other securities will be, in the judgment of the investment managers, of credit quality equal to or superior to the standards described above.
 - b. No single issue shall have a maturity of greater than two years.
 - c. The cash portfolio shall have a maturity of less than one year.
 - d. Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep managed by the custodian.
- B. No investment management organization shall have more than twenty-five percent (25%) of the GGRF's assets under its direction.
 - C. No individual security of any issuer, other than that of the United States government or Government of Guam, shall constitute more than five percent (5%), at cost, of the total GGRF or of any investment manager's portfolio.
 - D. Holdings of any issuer must constitute no more than five percent (5%) of the outstanding securities of such issuer.
 - E. Investments in a registered mutual fund managed by the investment manager are subject to prior approval of the Board of Trustees.
 - F. The following securities and transactions are not authorized: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; and, short sales origin transactions. Options and futures are restricted, except by petition to the Trustees for approval.

INVESTMENT POLICY

GGRF's investment policy in regard to the allocation of invested assets is established by mandates of public laws as enacted from time to time, as codified at 4GCA Title 4, Chapter 9, Article 1. GGRF's strategic asset allocation is based on the Fund's time horizon, risk tolerances, investment objectives, and asset class preferences.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The following was the Board's adopted asset allocation policy as of September 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equities (Large Cap)	26.00%
U.S. Equities (Small Cap)	4.00%
Non-U.S. Equities	20.00%
Global Equity	7.00%
U.S. Fixed Income (Aggregate)	22.00%
High Yield Bonds	8.00%
Risk Parity	8.00%
Global Infrastructure	2.50%
<u>Global Real Estate (REITs)</u>	<u>2.50%</u>
	<u>100.00%</u>

RATE OF RETURN

For the year ended September 30, 2023 the annual money-weighted rate of return on DB plan investments (net of expenses) was 17.69%. The money-weighted rate of return expresses investment performance, net of investment expense.

DUE TO/FROM BROKERS

Amounts due to/from brokers for unsettled trades consists of securities purchased or sold, which have not yet settled.

INCOME TAXES

The Fund is a public employees' retirement system and an autonomous agency of the Government of Guam. Accordingly, the Fund is not subject to income taxes.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Fund's provisions to the service members have rendered through the most recent actuarial valuation date (September 30, 2022, rolled forward to September 30, 2023).

Accumulated plan benefits include benefits expected to be paid to (i) retired, disabled, and terminated employees and their beneficiaries, (ii) beneficiaries of employees who have died, and to (iii) present employees and their beneficiaries. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered through September 30, 2022, rolled forward to September 30, 2023.

The actuarial present value of accumulated plan benefits is determined by an independent actuarial firm and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the most recent actuarial valuation date (September 30, 2022, rolled forward to September 30, 2023), and the expected date of payment.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended September 30, 2023, the Fund implemented the following GASB pronouncements:

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions in Statement No. 91 were effective for fiscal years beginning after December 15, 2020 but were delayed by GASB Statement No. 95 for one year. Management does not believe that the implementation of this statement had a material effect on the financial statements.
- In March 2020, GASB issued statement No. 94, *Public-private and Public-Public Partnerships and Availability Payment Arrangements*, to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The provisions of Statement No. 94 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Statement No. 95 did not extend this implementation date. Management does not believe that the implementation of this statement had a material effect on the financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The provisions of Statement No. 96 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Management does not believe that the implementation of this statement had a material effect on the financial statements.

UPCOMING ACCOUNTING PRONOUNCEMENTS

- In April 2022, GASB issued statement No. 99, *Omnibus 2022*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement that are effective as follows: (a) The requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. (b) The requirements related to leases, public-private partnerships (PPP)s, and subscription-based information technology arrangement (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (c) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. GASB Statement No. 99 will be effective for fiscal years ending through September 30, 2024.
- In April 2022, GASB issued statement No. 100, *Accounting Changes and Error Corrections*, to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

UPCOMING ACCOUNTING PRONOUNCEMENTS, CONTINUED

- In June 2022, GASB issued statement No. 101, *Compensated Absences*, to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- In December 2023, GASB issued statement No. 102, *Certain Risk Disclosures*, to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government’s vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:
 - The concentration or constraint.
 - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.
 - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.
 - The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. As a result, users will have better information with which to understand and anticipate certain risks to a government’s financial condition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capital Assets and Depreciation

The Fund capitalizes buildings, improvements and equipment that have a cost of \$500 or more and an estimated useful life of at least three years. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture and fixtures	3 years
Automobiles	5 years
Buildings	30 years
Improvements	5-10 years
Equipment	1-5 years

Administrative expenses include depreciation and amortization expense of \$52,321 in 2023.

(5A) NET PENSION LIABILITY

The components of the collective net pension liability of the Government of Guam and its participating component units at September 20, 2023 (based on the 2022 valuation) were as follows:

	DEFINED BENEFIT PLAN			Defined Contribution Plan
	Retirement Annuity	COLA and Supplemental Annuity	Other Pension Appropriations	
Total Pension Liability	\$ 3,286,517,712	\$ 290,711,204	\$ 6,139,852	\$ 77,408,285
Plan Fiduciary net position	1,889,755,135	-	-	-
Net pension liability	\$ 1,396,762,577	\$ 290,711,204	\$ 6,139,852	\$ 77,408,285
Plan Fiduciary net position as a percentage of total pension liability	57.50%	0.00%	0.00%	0.00%

The actuarial valuation of the DB Plan involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Employers' Net Pension Liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The Total Pension Liability as of September 30, 2023, is based on the results of an actuarial valuation date of September 30, 2022, rolled forward to September 30, 2023 using standard actuarial update techniques.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(5A) NET PENSION LIABILITY, CONTINUED

A summary of the actuarial assumptions as of the latest actuarial valuation dated 2022 rolled forward to 2023 is shown below and are based on the assumption that the Fund will continue in operation. If the Fund were to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits. These assumptions are based on the 2015 - 2020 experience study.

Valuation Date:	9/30/2022
Measurement Date:	9/30/2023
Actuarial Cost Method:	Entry age normal
Valuation of Assets:	3-year phase in of gains/losses relative to interest rate assumption.
Discount Rate:	7% per year for funded benefits and 4.09% for unfunded benefits.
Salary Increase:	Graduated based on service with the Government ranging from 3.0% for service in excess of 10 years to 6.0% for service from zero to five years.
Inflation Assumption:	2.5%
Total Payroll Growth:	4.01% FY2023, 2.5% after FY2023
Mortality:	PUB-2010 General Retiree table 130% before age 80, set forward 4 years for males and set forward 2 years for females
Disability:	Custom age-based table based upon actual experience. No disability assumed for Governors, Lt. Governors, Justices and Judges.
Retirement Age:	DB Plan, Justices and Judges: 40% probability of retirement at earliest age of eligibility for unreduced retirement benefits; 20% per year thereafter until age 75, 100% at age 75 DC Plan: 5% per year from age 55 to 64; 10% per year from age 65 to age 74; 100% at age 75 Governors and Lt. Governors: 37.5% after 4 years of service, and 100% after 8 years of service
Return of Contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Amortization Method:	Constant percentage of total payroll, which is assumed to grow at 2.50% after FY2023.
Amortization Period:	In accordance with 4GCA§8137, complete funding is to be achieved by April 30, 2031. Public Law 33-186 extended this period by 2 years to 2033. At September 30, 2023 the remaining period is 10.58 years.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(5A) NET PENSION LIABILITY, CONTINUED

LONG-TERM EXPECTED RATE OF RETURN

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected-returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The Fund has a target asset allocation based on the investment policy adopted by the Board of Trustees. The target allocation and best estimates of the expected nominal return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Nominal Return</u>	<u>Component Return</u>
U.S. Equities (large cap)	26.0%	7.88%	2.05%
U.S. Equities (small cap)	4.0%	9.44%	0.38%
Non-U.S. Equities	17.0%	10.16%	1.73%
Non-U.S. Equities (emerging markets)	3.0%	12.09%	0.36%
U.S. Fixed Income (aggregate)	22.0%	4.71%	1.04%
Risk parity	8.0%	6.64%	0.53%
High yield bonds	8.0%	6.52%	0.52%
Global Real Estate (REITs)	2.5%	9.38%	0.23%
Global Equity	7.0%	8.73%	0.61%
Global Infrastructure	2.5%	8.20%	0.21%
Expected arithmetic mean (1 year)			7.66%
Expected geometric mean (30 years)			6.94%

DISCOUNT RATE – PENSION LIABILITY FOR RETIREMENT BENEFITS

The discount rate assumption of 7.0% is about equal to the expected geometric mean over 30 years, but lower than the average arithmetic return for one year. The geometric mean is lower than the arithmetic mean due to the expected volatility of investments. Note that if investments fail to achieve the assumed interest rate, future required contributions will increase. The 2015–2020 experience study recommended a decrease to the interest rate assumption from 7.0% to 6.7%, however, due to a change in the economic environment since that study was completed (primarily an increase in interest rates), the forward-looking expected return is now higher than it was when the 2015–2020 experience study analysis was conducted. The 7.0% assumption is reasonable.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(5A) NET PENSION LIABILITY, CONTINUED

DISCOUNT RATE – AD HOC SUPPLEMENTAL BENEFITS AND COST OF LIVING ALLOWANCE (SB/COLA) AND OTHER PENSION APPROPRIATIONS

Members of the DB Plan also receive ad hoc supplemental annuity benefits and cost of living allowance that are appropriated by the Guam Legislature. Those benefits are deemed to be substantively automatic, requiring reporting under GASB Statement No. 73. Supplemental Annuity Payments of \$4,238 (subject to an aggregate limitation of \$40,000 per year when combined with the member's regular retirement annuity) are provided to DB Plan retirees. COLA payments of \$2,000 per year are provided to DB and DC Plan retirees.

The discount rate used to measure the Ad hoc Supplemental Benefits and Cost of Living Allowance (COLA) was the rate of return of a high-quality bond index (4.09%) which is based on the 20-year Bond GO Index as of September 30, 2023. This rate was used as these two benefits are not funded with the accumulation of assets; they have been funded historically through appropriations from the Government of Guam.

DISCOUNT RATE – OTHER PENSION APPROPRIATIONS

Pension payments to Governors/Lt. Governors and Justices/Judges are also appropriated by the Guam Legislature. These payments are anticipated to continue in future years, requiring reporting under GASB 73. The discount rate used to measure Other Pension Appropriations was also 4.09% (based on the 20-year Bond GO Index as of September 30, 2023).

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(5A) NET PENSION LIABILITY, CONTINUED

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the net pension liability as of September 30, 2023, calculated using the current discount rate of 7.0% for the defined benefit annuities and 4.09% for the COLA/supplemental annuities, 4.09% for other pension appropriations, as well as the net pension liability calculated using a discount rate that is one percentage point (1.0%) lower or 1% higher than the current rate:

DEFINED BENEFIT PLAN - Retirement Benefits			
	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Total pension liability	\$3,605,143,101	\$3,286,517,712	\$3,013,770,991
Plan fiduciary net position	\$1,889,755,135	\$1,889,755,135	\$1,889,755,135
Net pension liability	\$1,715,387,966	\$1,396,762,577	\$1,124,015,856
DEFINED BENEFIT PLAN - AdHoc COLA/Supplemental Annuity			
	1% Decrease	Current Discount Rate	1% Increase
	3.09%	4.09%	5.09%
Total pension liability	\$318,245,971	\$290,711,204	\$266,930,040
Plan fiduciary net position	-	-	-
Net pension liability	\$318,245,971	\$290,711,204	\$266,930,040
DEFINED BENEFIT PLAN - Other Pension Appropriations			
	1% Decrease	Current Discount Rate	1% Increase
	3.09%	4.09%	5.09%
Total pension liability	\$6,655,136	\$6,139,852	\$5,694,988
Plan fiduciary net position	-	-	-
Net pension liability	\$6,655,136	\$6,139,852	\$5,694,988
DEFINED CONTRIBUTION PLAN - AdHoc COLA/Supplemental Annuity			
	1% Decrease	Current Discount Rate	1% Increase
	3.09%	4.09%	5.09%
Total pension liability	\$87,357,794	\$77,408,285	\$68,998,614
Plan fiduciary net position	-	-	-
Net pension liability	\$87,357,794	\$77,408,285	\$68,998,614

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(5B) NET PENSION LIABILITY OF THE RETIREMENT FUNDS AS AN EMPLOYER

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

At September 30, 2023, the Fund reported a liability of \$5,982,159 for its proportionate share of the net pension liability. The Fund’s proportion of the net pension liability was based on projection of the Fund’s long-term share of contributions to the pension plan relative to the projected contributions of the Government of Guam and its component units, actuarially determined. At September 30, 2023 the Fund’s proportion of the GovGuam overall liability was .33%.

At September 30, 2023, the Fund reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 131,797	\$ 27,115
Net difference between projected and actual earnings on pension plan investments	1,062,586	-
Changes of assumptions	69,439	189,544
Contributions subsequent to the measurement date	530,872	-
Changes in proportion and difference between GGRF contributions and proportionate share	107,468	390,876
	\$ 1,902,162	\$ 607,535

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2023 will be recognized in pension expense (recovery) as follows:

Year Ending September 30	Amount
2024	\$ 196,866
2025	170,027
2026	143,939
2027	252,924
2028	-
Thereafter	-
	<u>\$763,755</u>

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(6) DEPOSIT AND INVESTMENT RISK DISCLOSURE

Cash and investments as of September 30, 2023 are classified in the accompanying statement of fiduciary net position as follows:

	<u>DB Plan</u>	<u>DC Plan</u>
Cash	\$ 8,481,607	\$ 1,008,264
Common Stocks	1,328,842,274	-
U.S. Government Securities	265,370,061	-
Corporate Bonds and Notes	216,239,024	-
Money Market Funds	26,811,000	-
Mutual Funds	35,165,559	476,015,884
Total Cash and Investments	<u>\$ 1,880,909,525</u>	<u>\$ 477,024,148</u>

INVESTMENTS AUTHORIZED BY THE GUAM CODE ANNOTATED AND THE FUND'S INVESTMENT POLICY

Investments that are authorized by the Guam Code Annotated and by the Fund's investment policy are described in Note 4 above. There are no maximum maturities set for investments, with the exception of cash and cash equivalents as specified in Note 4 above. The only limitation on the maximum percentage of the portfolio that may be invested in any one type is with international government or corporate bonds as specified in Note 4 above. The maximum percentage of each issue that may be made is five percent, as specified in Note 4 above.

DISCLOSURES RELATING TO INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fund manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Fund's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund's DB plan investments at September 30, 2023 by maturity:

Investment Type	Remaining Maturity in Years				
	Less than 1	1 to 5	6 to 10	Greater than 10	Total
U.S. Treasury Securities	\$ -	8,802,726	47,688,370	85,282,733	141,773,829
Federal Agency Securities	-	6,219,794	4,948,803	112,427,635	123,596,232
Corporate Bonds and Notes	1,841,156	117,648,964	64,260,028	32,488,876	216,239,024
Totals	\$ 1,841,156	132,671,484	116,897,201	230,199,244	481,609,085

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(6) DEPOSIT AND INVESTMENT RISK DISCLOSURE, CONTINUED

INVESTMENTS WITH FAIR VALUES HIGHLY SENSITIVE TO INTEREST RATE FLUCTUATIONS

The Fund's investments are typically made in corporate equities, U.S. Treasury obligations, and commercial paper. These types of investments are not more sensitive to interest rate fluctuations than as already indicated above. Investments that are highly sensitive to interest rate fluctuations include Federal agency securities with coupon multipliers that are reset frequently, mortgage-backed securities, and Federal agency securities with interest rates that vary inversely to a benchmark set quarterly.

The Fund has invested in mortgage-backed securities, which are more sensitive to fluctuations in interest rates than already indicated in the information provided above. Such securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

At September 30, 2023, the Fund held mortgage-backed securities valued at approximately \$124.9 million.

DISCLOSURES RELATING TO CREDIT RISK

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Fund's credit quality distribution for debt securities at September 30, 2022 is as follows:

	Standard & Poor's	
Investment Type	Credit Rating	Amount
Government Bonds	AAA/AA/A	\$ 40,798,084
Corporate Bonds	BBB/BB/B	149,963,626
Corporate Bonds	CCC/CC/C	11,612,081
Corporate Bonds	D	221,701
U.S. Government Guaranteed	Not Applicable	261,542,886
Not Rated	Not Rated	17,470,707
		\$ <u>481,609,085</u>

CONCENTRATION OF CREDIT RISK

The Fund's investment policy contains limits on the amount that can be invested in any one issuer. At September 30, 2023, the Fund did not hold any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total Fund investments.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(6) DEPOSIT AND INVESTMENT RISK DISCLOSURE, CONTINUED

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2023, the Fund held approximately \$24 million in corporate bonds issued by companies organized in various foreign countries.

The countries of incorporation and the dollar amount of the bonds issued were as follows at September 30, 2023:

Canada	\$ 8 million
United Kingdom	4
Netherlands	2
Australia	2
France	1
Others – 19 countries	<u>7</u>
Total	\$ <u>24</u> million

At September 30, 2023, the Fund held investments (generally U.S. dollar denominated ADRs) in corporate stocks issued by companies organized in various foreign countries. These ADRs are indirectly affected by fluctuations in currency exchange rates.

The market value of these investments at September 30, 2023 was approximately \$232 million. The functional currencies of the companies that issued the stocks (and the market value in millions of U.S. dollars) were as follows at September 30, 2023:

Euros	\$ 61 million
Japanese Yen	60
British Pound	36
Swiss Franc	13
Australian Dollar	19
Others – 10 countries	<u>43</u>
Total	\$ <u>232</u> million

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(6) DEPOSIT AND INVESTMENT RISK DISCLOSURE, CONTINUED

INVESTMENTS AT FAIR VALUE

GASB 72 requires all investments be categorized under a fair value hierarchy. The Fund determines fair value of its investments based upon both observable and unobservable inputs. The Fund categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America – levels within the hierarchy are as follows:

- Level 1 – quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.
- Level 3 – unobservable inputs for an asset or liability, which generally results in a government using the best information available and may include the government’s own data.

The remaining investments not categorized under the fair value hierarchy are shown at NAV. These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

DB PLAN			
Investment	Fair Value Sep. 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level2)
Equity Securities:			
Domestic Equity	\$ 760,213,393	\$ 760,213,393	
International Equity	568,628,881	568,628,881	
Total equity securities	\$ 1,328,842,274	\$ 1,328,842,274	
Debt Securities:			
U.S. Treasury Securities	\$ 141,773,829		\$ 141,773,829
Federal Agency Securities	123,596,232		123,596,232
Corporate Bonds and Notes	216,239,024		216,239,024
Total Debt Securities:	\$ 481,609,085		\$ 481,609,085
Other	\$ 61,976,559	\$ 61,976,559	
Total Investments By Fair Value Level	\$ 1,872,427,918	\$ 1,390,818,833	\$ 481,609,085
DC PLAN			
Mutual Funds	\$ 476,015,884	\$ 476,015,884	
Total Investments By Fair Value Level	\$ 476,015,884	\$ 476,015,884	\$ -

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(6) DEPOSIT AND INVESTMENT RISK DISCLOSURE, CONTINUED

CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Guam Code Annotated and the Fund's investment policy contain legal requirements that limit the exposure to custodial credit risk for deposits and investments, as follows:

The Guam Code Annotated requires that a financial institution secure deposits made by Government of Guam agencies by pledging securities in: "(a) Treasury notes or bonds of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, (b) any evidence of indebtedness of the government of Guam, (c) Investment certificates of the Federal Home Loan Bank, or (d) such other securities as may be ... approved by the Director of Administration and the Governor of Guam." The fair market value of the pledged securities must be at least ten percent (10%) in excess of the amount of monies deposited with the bank.

Further, to address custodial risk, the Guam Code Annotated requires the custodian to have been in the business of rendering trust custody services for ten or more years, to be organized under the laws of the United States or a state or territory thereof, to have capital and surplus in excess of ten million dollars (\$10,000,000), and to be a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation. Regardless of the above, any locally chartered bank may act as custodian for the Fund.

(7) RELATED PARTY TRANSACTIONS

At September 30, 2023, GGRF was owed employer and member contributions, and interest and penalties by various Government of Guam agencies. At September 30, 2023, employer contributions receivable including the unfunded liability totaled \$5,871,068, member contributions receivable totaled \$1,554,448, and interest and penalties receivable totaled \$95,356.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(8) PROPERTY, EQUIPMENT AND LAND

Property, equipment and land at September 30, 2023 were as follows:

Building	\$ 1,290,889
Improvements	868,231
Land	439,428
Equipment	652,020
Automobiles	22,732
Furniture and fixtures	15,887
Other	<u>7,000</u>
Sub-total	3,296,187
Less: Accumulated depreciation	<u>(2,647,667)</u>
Total	<u>\$ 648,520</u>

(9) DB 1.75 REPAYMENT OF CONTRIBUTIONS FOR SERVICE CREDIT

Relative to the implementation of the DB 1.75 Plan effective January 1, 2018, members who elected to participate in the Plan were allowed to repay contributions, which were previously withdrawn as members of the DC Plan, in order to obtain credit for service to which the withdrawals relate. To reclaim such service, members are required to repay to the Retirement Fund the a) total amount(s) withdrawn, plus b) interest commencing on the date(s) of the withdrawal(s) to the date of repayment. The repayment shall be made by (1) single cash payment, (2) transfer of the members' Excess Account Balance in the DC Plan, if any, (3) transfer of funds from the members Deferred Compensation account, if applicable, (4) installment payments to the Retirement Fund in accordance with established rules, or (5) any combination of option numbers 2, 3, and 4. By no later than June 30, 2018, as applicable, full payment or arrangements for repayment in installments, were required to be made with the Retirement Fund.

At September 30, 2023, the amount owed under these notes was \$789,591.

(10) SUPPLEMENTAL/COLA BENEFIT OWED BY GOVERNMENT OF GUAM AGENCIES

All Government of Guam agencies are obligated to pay retirees for supplemental and COLA benefits. GGRF paid certain supplemental and COLA benefits for other Government of Guam agencies. GGRF will be reimbursed for these benefit payments; accordingly, these benefit payments are reflected as "Supplemental/insurance benefits advanced" in the accompanying statement of net assets.

At September 30, 2023, the GGRF had \$1,996,097 in Supplemental/insurance benefits receivable from three Government of Guam agencies.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(11) RISK MANAGEMENT

The Government of Guam Retirement Fund is subject to various risks in the normal course of operations. The Fund protects itself against such risks by purchasing liability insurance from a private company in Guam.

Further, the Fund purchases Directors and Officers Liability insurance from a private company in Guam to protect the Board of Trustees against liability for official actions they take in their capacities as Board members.

(12) OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY

OPEB PLAN DESCRIPTION:

The Government of Guam (GovGuam) administers the retiree health care benefits program, a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible employees. GovGuam provides health care benefits for retirees and their dependents. Benefits are provided through the Government of Guam, and the full cost of benefits is shared between the Government and retirees. GovGuam issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing the Government of Guam Department of Administration ITC Building Suite 224, 590 South Marine Corps Drive, Tamuning, Guam 96913, or by visiting doa.guam.gov.

GASB 75 allows for measurement of the Total OPEB Liability no earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year, consistently applied from period to period. The Government of Guam has elected to report results under GASB 75 with a measurement date of September 30, 2022 for the September 30, 2023 reporting date, the earliest measurement date permitted.

Plan Membership: As of September 30, 2022 (the measurement date and actuarial valuation date) OPEB plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	8,661
Active plan members	<u>11,440</u>
Total members	<u><u>20,101</u></u>

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(12) OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY, CONTINUED

Benefits Provided: The Government of Guam provides postemployment medical, dental and life insurance benefits to Government retirees, spouses, children, and survivors. Active employees and retirees who waive medical and dental coverage are considered eligible for the life insurance benefit only. GovGuam contributes a portion of the medical and dental premiums, based on a schedule of semi-monthly rates, and reimburses certain Medicare premiums to eligible retirees. Retirees may also pay a portion of the medical and dental insurance premiums, depending on the plan and coverage selected.

Contributions: No employer contributions are assumed to be made since an OPEB trust has not been established.

Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount rate	4.02%
Healthcare cost trend rate	8.0% for FY2023, decreasing 0.5% per year to 4.5% in FY2030 to an ultimate rate of 4.1% for FY2031 and later years.
Dental trend rates	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends
Healthy Retiree mortality rates	PUB-2010 General Healthy Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rate prior to age 80. Projected generationally using 50% of scale MP-2020.
Disabled Mortality rates	PUB-2010 General Disabled Retiree Headcount-Weighted Mortality Table, set forward 4 years and 2 years for males and females, respectively, with 130% of rates prior to age 80. Projected generationally using 50% of scale MP-2020.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.02%. The projection of cash flows used to determine the discount rate assumed that contributions from the Government will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 4.02% municipal bond rate was applied to all periods to determine the total OPEB liability. The 4.02 % is based on the Bond Buyer 20-Bond GO Index published on September 30, 2022.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(12) OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY, CONTINUED

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE:

The following presents the total OPEB liability calculated using the current discount rate of 4.02%, as well as what the total OPEB liability would be if it were calculated using a discount rate 1% point lower (3.02%) or 1% higher (5.02%) than the current rate:

	1% Decrease 3.02%	Discount Rate 4.02%	1% Increase 5.02%
OPEB Liability for the Fund	\$ 9,966,977	\$ 8,580,923	\$ 7,457,317

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN HEALTHCARE COST TREND RATES:

The following presents the total OPEB liability as calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower or 1% point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB Liability for the Fund	\$ 7,355,505	\$ 8,580,923	\$ 10,143,949

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB:

During the years ended September 30, 2023 and 2022, the Fund's required contributions to this plan totaled approximately \$238,351 and \$235,395 for each year, respectively.

At September 30, 2023, the Fund reported a liability of \$8,580,923 for its proportionate share of the OPEB Liability. The basis of the Fund's allocation of the collective OPEB amount is based on the Total OPEB Liability as of the end of the measurement period. At September 30, 2023, the Fund's proportion of the Total OPEB Liability was .37%.

For the year ended September 30, 2023, the Fund's OPEB expense was \$19,488. At September 30, 2023, the Fund reported deferred outflows of resources and deferred inflows of resources as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 597,928	\$ 2,569,547
Differences between expected and actual experience	669,188	394,592
Contributions subsequent to the measurement date	238,351	-
Changes in proportion and difference between GGRF contributions and proportionate share	-	1,619,372
	\$ 1,505,467	\$ 4,583,511

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(12) OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY, CONTINUED

The OPEB Expense and deferred outflows and inflows of resources primarily result from changes in the components of the Total OPEB liability (TOL). Most changes in the TOL are included in the OPEB Expense in the period of the change, including service cost, interest on total OPEB liability and changes in benefit terms. Other changes in the total OPEB liability are included in OPEB Expense over the current and future periods. These include the effects on the total OPEB liability of changes of economic and demographic assumptions and differences between expected and actual experience.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs at September 30, 2023 that will be subsequently recognized in OPEB expense are as follows:

Year Ending September 30	Amount
2024	\$ (638,427)
2025	(487,033)
2026	(624,083)
2027	(509,579)
2028	(526,007)
Thereafter	(531,266)
	<u>\$ (3,316,395)</u>

(13) CONTINGENCIES

Five government of Guam employees who are members of the Fund, through the United States of America (the "USA"), filed a complaint against the Government of Guam and the Fund, alleging that the Fund failed to provide the members with service credits for the time they were on the Government of Guam Leave Sharing Program (the "Program"). The USA filed the Complaint on behalf of those five employees and all other employees who were denied service credit for their service time on the Program.

The Fund's position is that the Leave Sharing Statute does not allow for service credit while a member is on leave sharing. In addition, the Fund cannot provide service credits unless fully funded. The government of Guam's position is that the employees are not entitled to retirement service credit under the law. The USA's position is that the Leave Sharing Statute violates the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA"). The Fund may have to assess any potential exposure upon a final court decision

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 2023

(14) SUBSEQUENT EVENTS

INVESTMENTS

The market value of the Fund's invested assets in the DB plan increased from \$1.88 billion at September 30, 2023 to approximately \$2.0 billion at December 31, 2023. This is an increase of approximately \$120 million, or about 6.0%.

DC plan investments increased from \$476 million at September 30, 2023 to \$529 million at December 31, 2023, an increase of \$53 million, or about 11.0%.

These increases are due largely to market fluctuations.

REOPENING OF DB 1.75 PLAN

On December 27, 2022, Public Law No. 36-130 was signed into Law. The law provides for the following:

- All employees who are members of the Defined Contribution Plan at any time between June 1, 2023 to December 31, 2023, may elect to become Defined Benefit 1.75 Plan members effective as of January 1, 2024.
- All new employees whose employment commences on or after January 1, 2024, may elect to become Defined Benefit 1.75 members.
- The Defined Benefit 1.75 Plan service retirement amount is increased from 1.75% to 2.75% for service after 25 years. The maximum benefit remains at 85%.
- Effective January 1, 2024, active public safety and law enforcement officers of the Defined Benefit 1.75 Plan will be eligible for unreduced service retirement after reaching age 55 with 25 years of service or age 57 with 5 years of service.

During January and February 2024, approximately \$134M was transferred from the DC Plan to the DB 1.75 Plan. This represented employee and employer contributions for 2,028 employees who transferred to DB 1.75 effective January 1, 2024.

OTHER

The Fund has evaluated subsequent events through March 31, 2024 which is also the date the financial statements were available to be issued.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Changes in Net Pension Liability - DB Plan

September 30, 2013 to 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Valuation
		(See Note 1)								(Measurement Date 9/30/2022)
Total Pension Liability - Beginning of Year	\$ 2,811,399,525	\$ 2,829,439,663	\$ 3,112,295,398	\$ 3,249,042,023	\$ 3,245,313,070	\$ 3,189,586,194	\$ 3,501,413,210	\$ 3,541,428,933	\$ 3,557,210,676	\$ 3,535,667,531
Service cost	21,089,199	22,323,496	23,167,161	22,042,055	19,309,007	38,775,474	37,800,095	36,473,721	34,964,797	32,131,558
Member contributions	-	-	-	-	-	-	-	-	-	-
Interest on the total pension liability	190,558,974	191,594,023	213,116,889	210,570,472	210,182,547	206,798,237	231,018,790	227,705,047	227,093,537	225,958,556
Changes of benefit terms	-	-	-	-	-	313,869,755	-	-	-	-
Differences between actual and expected experience with regard to economic or demographic factors	-	27,739,034	58,338,457	(19,460,258)	(11,851,500)	11,243,579	(16,876,866)	(2,397,386)	(15,491,396)	41,312,320
Changes of assumptions	-	-	71,752,411	17,912,379	(33,969,738)	(14,202,705)	41,761,635	12,978,647	(1,395,530)	(41,098,850)
Benefit payments	(193,608,035)	(199,534,108)	(229,628,293)	(234,793,601)	(239,397,192)	(244,657,324)	(253,687,931)	(258,978,286)	(266,714,553)	(273,129,607)
Total changes	18,040,138	42,122,445	136,746,625	(3,728,953)	(55,726,876)	311,827,016	40,015,723	15,781,743	(21,543,145)	(14,826,023)
Total Pension Liability - End of Year	\$ 2,829,439,663	\$ 2,871,562,108	\$ 3,249,042,023	\$ 3,245,313,070	\$ 3,189,586,194	\$ 3,501,413,210	\$ 3,541,428,933	\$ 3,557,210,676	\$ 3,535,667,531	\$ 3,520,841,508
Fiduciary Net Position - Beginning of Year	\$ 1,391,421,887	\$ 1,526,135,027	\$ 1,625,255,354	\$ 1,576,428,084	\$ 1,647,181,257	\$ 1,759,189,680	\$ 2,032,344,992	\$ 2,002,773,533	\$ 1,988,983,810	\$ 2,263,748,022
Contributions from employers	121,940,930	134,106,867	159,053,013	148,395,481	148,981,296	159,154,291	144,101,751	141,728,762	148,413,709	156,762,387
Member contributions	16,290,014	16,626,009	15,245,935	13,812,825	13,476,517	28,895,275	27,012,032	25,864,221	24,649,425	25,342,204
Net investment income	192,776,061	150,599,955	9,560,987	146,235,031	192,765,573	93,616,115	56,758,490	80,879,016	371,570,719	(391,717,627)
Benefit payments	(193,608,035)	(199,534,108)	(229,628,293)	(234,793,601)	(239,397,192)	(244,657,324)	(253,687,931)	(258,978,286)	(266,714,553)	(273,129,607)
Administrative expense	(2,685,830)	(2,678,396)	(3,058,912)	(2,896,563)	(3,817,771)	(3,794,742)	(3,755,801)	(3,283,436)	(3,155,088)	(3,448,748)
Changes of benefit terms	-	-	-	-	-	239,941,697	-	-	-	-
Total changes	134,713,140	99,120,327	(48,827,270)	70,753,173	112,008,423	273,155,312	(29,571,459)	(13,789,723)	274,764,212	(486,191,391)
Fiduciary Net Position - End of Year	\$ 1,526,135,027	\$ 1,625,255,354	\$ 1,576,428,084	\$ 1,647,181,257	\$ 1,759,189,680	\$ 2,032,344,992	\$ 2,002,773,533	\$ 1,988,983,810	\$ 2,263,748,022	\$ 1,777,556,631
Net Pension Liability - End of Year	\$ 1,303,304,636	\$ 1,246,306,754	\$ 1,672,613,939	\$ 1,598,131,813	\$ 1,430,396,514	\$ 1,469,068,218	\$ 1,538,655,400	\$ 1,568,226,866	\$ 1,271,919,509	\$ 1,743,284,877
Fiduciary Net Position as a % of Total Pension Liability	53.94%	56.60%	48.52%	50.76%	55.15%	58.04%	56.55%	55.91%	64.03%	50.49%
Covered employee payroll	\$ 460,347,780	\$ 504,943,471	\$ 511,366,411	\$ 506,322,283	\$ 508,300,483	\$ 513,866,473	\$ 509,497,662	\$ 522,644,057	\$ 532,481,055	\$ 555,481,302
Net Pension Liability as a % of Covered Employee Payroll	283.11%	246.82%	327.09%	315.64%	281.41%	285.89%	301.99%	300.06%	238.87%	313.83%

Note 1 - Liabilities are shown in this column as originally reported as of 9/30/14, without regards to Ad Hoc COLAs or Supplemental Annuity Payments.

This schedule is intended to show information for 10 years.

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Changes in Net Pension Liability - DC Plan

September 30, 2013 to 2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>	<u>Valuation</u>
Total Pension Liability - Beginning of Year	\$ n/a	\$ n/a	\$ 46,880,986	\$ 52,115,736	\$ 61,688,067	\$ 62,445,490	\$ 49,342,424	\$ 59,884,407	\$ 66,393,472	\$ 70,547,850
Service cost	n/a	n/a	2,623,748	3,074,446	3,136,456	1,963,058	1,779,688	2,600,513	2,979,592	3,289,777
Member contributions	n/a	n/a	-	-	-	-	-	-	-	-
Interest on the total pension liability	n/a	n/a	1,885,957	1,851,695	1,957,356	2,310,669	2,098,759	1,632,077	1,506,814	1,639,761
Changes of benefit terms	n/a	n/a	-	-	-	(17,328,556)	-	-	-	-
Differences between actual and expected experience	n/a	n/a	-	-	-	-	-	-	-	-
with regard to economic or demographic factors	n/a	n/a	(587,552)	1,265,643	1,904,493	5,034,446	(1,471,219)	985,969	2,505,793	924,853
Changes of assumptions	n/a	n/a	2,510,997	4,802,047	(4,594,882)	(3,208,683)	9,978,755	3,562,706	(441,821)	(13,688,250)
Benefit payments	n/a	n/a	(1,198,400)	(1,421,500)	(1,646,000)	(1,874,000)	(1,844,000)	(2,272,200)	(2,396,000)	(2,578,000)
Total changes	n/a	n/a	5,234,750	9,572,331	757,423	(13,103,066)	10,541,983	6,509,065	4,154,378	(10,411,859)
Total Pension Liability - End of Year	<u>\$ n/a</u>	<u>\$ n/a</u>	<u>\$ 52,115,736</u>	<u>\$ 61,688,067</u>	<u>\$ 62,445,490</u>	<u>\$ 49,342,424</u>	<u>\$ 59,884,407</u>	<u>\$ 66,393,472</u>	<u>\$ 70,547,850</u>	<u>\$ 60,135,991</u>
Fiduciary Net Position - Beginning of Year	\$ n/a	\$ n/a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions from employers	n/a	n/a	1,198,400	1,421,500	1,646,000	1,874,000	1,844,000	2,272,200	2,396,000	2,578,000
Member contributions	n/a	n/a	-	-	-	-	-	-	-	-
Net investment income	n/a	n/a	-	-	-	-	-	-	-	-
Benefit payments	n/a	n/a	(1,198,400)	(1,421,500)	(1,646,000)	(1,874,000)	(1,844,000)	(2,272,200)	(2,396,000)	(2,578,000)
Administrative expense	n/a	n/a	-	-	-	-	-	-	-	-
Total changes	n/a	n/a	-	-	-	-	-	-	-	-
Fiduciary Net Position - End of Year	<u>\$ n/a</u>	<u>\$ n/a</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability - End of Year	<u>\$ n/a</u>	<u>\$ n/a</u>	<u>\$ 52,115,736</u>	<u>\$ 61,688,067</u>	<u>\$ 62,445,490</u>	<u>\$ 49,342,424</u>	<u>\$ 59,884,407</u>	<u>\$ 66,393,472</u>	<u>\$ 70,547,850</u>	<u>\$ 60,135,991</u>
Fiduciary Net Position as a % of Total Pension Liability	n/a	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	n/a	n/a	355,895,521	365,069,550	376,785,976	264,475,579	235,505,301	259,284,046	281,174,905	312,081,442
Net Pension Liability as a % of Covered Employee Payroll	n/a	n/a	14.64%	16.90%	16.57%	18.66%	25.43%	25.61%	25.09%	19.27%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Employer Allocations by Component Unit - DB Plan

For the year ended September 30, 2022

DEFINED BENEFIT PLAN

Component Unit (Employer)	Expected	%	Allocated	Ad hoc COLA/ Supplemental Annuity Contributions	%	Allocated	Other Pension Appropriations	%	Allocated	Combined
	Defined Benefit Plan Contributions		Net Pension Liability for Retirement Annuity Only			Net Pension for Ad Hoc COLA and Supplemental Annuity			Net Pension for Other Pension Appropriations	
Government of Guam General Fund	\$ 39,458,247	28.60%	\$ 425,228,252	\$ 8,079,656	37.14%	\$ 95,268,101	\$ 320,000	58.33%	\$ 3,614,866	\$ 524,111,219
Office of the Attorney General	2,788,860	2.02%	30,054,606	159,426	0.73%	1,879,810	-	0.00%	-	31,934,416
Mayors' Council of Guam	1,810,328	1.31%	19,509,296	86,244	0.40%	1,016,917	-	0.00%	-	20,526,213
Department of Chamorro Affairs	447,804	0.32%	4,825,833	118,730	0.55%	1,399,958	-	0.00%	-	6,225,791
Guam Educational Telecommunications Corporation	91,392	0.07%	984,901	12,000	0.06%	141,493	-	0.00%	-	1,126,394
Government of Guam Retirement Fund	437,514	0.32%	4,714,941	79,776	0.37%	940,646	-	0.00%	-	5,655,587
Guam Community College	3,013,562	2.18%	32,476,144	590,316	2.71%	6,960,479	-	0.00%	-	39,436,623
Guam Department of Education	38,957,609	28.24%	419,833,045	5,988,085	27.53%	70,606,160	-	0.00%	-	490,439,205
Guam Economic Development Authority	508,818	0.37%	5,483,360	32,713	0.15%	385,723	-	0.00%	-	5,869,083
Guam Housing and Urban Renewal Authority	1,559,401	1.13%	16,805,140	127,866	0.59%	1,507,678	-	0.00%	-	18,312,818
Guam Housing Corporation	308,982	0.22%	3,329,795	53,891	0.25%	635,438	-	0.00%	-	3,965,233
Guam International Airport Authority	3,650,925	2.65%	39,344,790	238,032	1.09%	2,806,660	-	0.00%	-	42,151,450
Guam Legislature	602,830	0.44%	6,496,496	334,462	1.54%	3,943,681	-	0.00%	-	10,440,177
Guam Memorial Hospital Authority	13,112,724	9.50%	141,311,415	1,409,074	6.48%	16,614,544	-	0.00%	-	157,925,959
Guam Power Authority	6,975,195	5.06%	75,169,330	1,150,584	5.29%	13,566,656	-	0.00%	-	88,735,986
Guam Visitors Bureau	505,398	0.37%	5,446,504	34,000	0.16%	400,898	-	0.00%	-	5,847,402
Guam Waterworks Authority	4,474,004	3.24%	48,214,836	822,226	3.78%	9,694,959	-	0.00%	-	57,909,795
Judiciary of Guam	5,156,351	3.74%	55,568,260	511,713	2.35%	6,033,657	228,600	41.67%	2,582,373	64,184,290
Port Authority of Guam	5,602,999	4.06%	60,381,635	876,311	4.03%	10,332,672	-	0.00%	-	70,714,307
Office of Public Accountability	210,942	0.15%	2,273,251	6,000	0.03%	70,747	-	0.00%	-	2,343,998
University of Guam	8,289,370	6.01%	89,331,752	1,042,686	4.79%	12,294,418	-	0.00%	-	101,626,170
	<u>\$ 137,963,255</u>	<u>100.00%</u>	<u>\$ 1,486,783,582</u>	<u>\$ 21,753,791</u>	<u>100.00%</u>	<u>\$ 256,501,295</u>	<u>\$ 548,600</u>	<u>100.00%</u>	<u>\$ 6,197,239</u>	<u>\$ 1,749,482,116</u>

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Employer Allocations by Component Unit - DC plan

For the year ended September 30, 2022

<u>Component Unit (Employer)</u>	Actual DC Ad hoc COLA <u>Contributions</u>	Allocation <u>Percentage</u>	Allocated Net Pension <u>Liability</u>
Government of Guam General Fund	\$ 832,000	32.27%	\$ 19,407,737
Office of the Attorney General	38,000	1.47%	886,411
Mayors' Council of Guam	68,000	2.64%	1,586,209
Department of Chamorro Affairs	34,000	1.32%	793,105
Guam Educational Telecommunications Corporation	2,000	0.08%	46,653
Government of Guam Retirement Fund	14,000	0.54%	326,572
Guam Community College	62,000	2.40%	1,446,250
Guam Department of Education	696,000	27.00%	16,235,318
Guam Economic Development Authority	10,000	0.39%	233,266
Guam Housing and Urban Renewal Authority	28,000	1.09%	653,145
Guam Housing Corporation	14,000	0.54%	326,572
Guam International Airport Authority	44,000	1.71%	1,026,371
Guam Legislature	28,000	1.09%	653,145
Guam Memorial Hospital Authority	230,000	8.92%	5,365,119
Guam Power Authority	120,000	4.65%	2,799,193
Guam Visitors Bureau	6,000	0.23%	139,960
Guam Waterworks Authority	64,000	2.48%	1,492,903
Judiciary of Guam	40,000	1.55%	933,064
Port Authority of Guam	114,000	4.42%	2,659,233
Office of Public Accountability	2,000	0.08%	46,653
University of Guam	<u>132,000</u>	<u>5.12%</u>	<u>3,079,112</u>
	<u>\$ 2,578,000</u>	<u>100.00%</u>	<u>\$ 60,135,991</u>

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Contributions

September 30, 2013 to 2022

<u>Plan Year Ending September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a % of Covered Payroll</u>
2022	\$ 135,008,596	\$ 135,008,596	\$ -	\$ 555,481,302	24.30%
2021	125,859,794	125,859,794	-	532,481,055	23.64%
2020	118,982,000	118,982,000	-	522,644,057	22.77%
2019	121,557,000	121,557,000	-	509,497,662	23.86%
2018	135,851,000	135,851,000	-	513,866,000	26.44%
2017	125,275,000	125,275,000	-	508,300,000	24.65%
2016	124,419,000	124,419,000	-	506,322,000	24.57%
2015	134,506,000	134,506,000	-	511,366,000	26.30%
2014	134,107,000	134,107,000	-	504,943,000	26.56%
2013	121,698,000	121,941,000	(243,000)	460,348,000	26.49%

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates for plan year ending September 30, 2023 were based on the September 30, 2021 actuarial valuation as follows. Assumptions used in calculating the September 30, 2023 Pension Liability are reflected on page 43.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	May 1, 2033 (10.58 years remaining as of September 30, 2022)
Asset valuation method	3-year smoothed market value (effective September 30, 2009)
Inflation	2.50% per year
Total payroll growth	2.75% per year
Salary increases	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.0% for service over 15 years.
Investment rate of return	7.00%, net of investment expenses, including inflation of 2.50%
Retirement age	50% probability of retirement upon first eligibility for unreduced retirement. Thereafter, the probability of retirement is 20% for each year until age 75, and increases to 100% at age 70.
Mortality	RP-2000 healthy mortality table (males + 3, females +2). Mortality for disabled lives is the RP 2000 disability mortality (males +6, females +4). Both tables are projected generationally from 2016 using 30% of Scale BB.
Other information	Actuarial assumptions above are based upon periodic experience studies. The last experience study reviewed experience from 2011-2015.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Investment Returns

September 30, 2013 to 2022

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Annual money-weighted rate of return, net of investment expense	14.14%	10.04%	0.60%	9.51%	11.99%	5.54%	2.85%	4.13%	19.13%	-17.69%

This schedule is intended to show information for 10 years.

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Changes in Total Other Post Employment Benefits (OPEB) Liability

September 30, 2016 to 2022 Measurement Dates

	2016 <u>Valuation</u>	2017 <u>Valuation</u>	2018 <u>Valuation</u>	2019 <u>Valuation</u>	2020 <u>Valuation</u>	2021 <u>Valuation</u>	2022 <u>Valuation</u>
Total OPEB Liability - Beginning of Year	\$ 2,133,923,275	\$ 2,532,753,040	\$ 2,431,048,672	\$ 1,874,970,335	\$ 2,553,523,376	\$ 2,518,489,145	\$ 2,676,048,091
Service cost	87,158,663	108,634,675	96,368,122	74,240,508	115,449,264	95,471,040	100,653,031
Interest	81,647,699	80,151,782	90,927,141	80,558,352	70,456,948	57,253,336	62,107,904
Changes of benefit terms	-	-	-	-	-	-	86,684,070
Differences between actual and expected experience	-	-	(522,357,892)	-	280,042,921	73,424,623	(60,823,438)
Changes of assumptions	270,694,071	(249,820,157)	(175,941,955)	567,709,274	(460,552,874)	(21,967,047)	(511,094,597)
Benefit payments	<u>(40,670,668)</u>	<u>(40,670,668)</u>	<u>(45,073,753)</u>	<u>(43,955,093)</u>	<u>(40,430,490)</u>	<u>(46,623,006)</u>	<u>(57,127,531)</u>
Total Changes	<u>398,829,765</u>	<u>(101,704,368)</u>	<u>(556,078,337)</u>	<u>678,553,041</u>	<u>(35,034,231)</u>	<u>157,558,946</u>	<u>(379,600,561)</u>
Total OPEB Liability - End of Year	<u>\$ 2,532,753,040</u>	<u>\$ 2,431,048,672</u>	<u>\$ 1,874,970,335</u>	<u>\$ 2,553,523,376</u>	<u>\$ 2,518,489,145</u>	<u>\$ 2,676,048,091</u>	<u>\$ 2,296,447,530</u>
Covered payroll as of valuation date	\$ 474,098,955	\$ 474,098,955	\$ 494,595,522	\$ 479,551,309	\$ 510,872,087	\$ 642,926,286	\$ 620,665,876
Total OPEB liability as a percentage of covered payroll	534.22%	512.77%	379.09%	532.48%	492.98%	416.23%	370.00%
Discount rate	3.06%	3.63%	4.18%	2.66%	2.21%	2.26%	4.02%

This schedule is intended to show information for 10 years.

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Other Post Employment Benefits (OPEB) Liability

For the year ended September 30, 2022

<u>Component Unit (Employer)</u>	<u>Proportionate Share</u>	<u>Total OPEB Share</u>
<u>Primary Government:</u>		
GovGuam Line Agencies	33.83%	776,968,480
GovGuam Retirement Fund	0.37%	8,580,923
Guam Legislature	0.48%	11,079,638
Guam Department of Education	28.30%	649,857,650
Public Defender Service Corporation	0.51%	11,819,258
Unified Courts of Guam	3.35%	77,022,602
Guam Telephone Authority	1.06%	24,390,328
Total Primary Government	67.90%	1,559,718,879
<u>Component Units:</u>		
Antonio B. Won Pat International Airport Authority	1.84%	42,349,839
Guam Community College	2.26%	51,852,707
Guam Economic Development Authority	0.21%	4,931,451
Guam Housing Corporation	0.27%	6,153,837
Guam Housing and Urban Renewal Authority	0.63%	14,471,126
Guam Memorial Hospital Authority	7.97%	183,003,125
Guam Power Authority	5.69%	130,691,710
Guam Visitors Bureau	0.24%	5,483,000
Guam Waterworks Authority	3.80%	87,184,863
Port Authority of Guam	3.94%	90,395,007
University of Guam	5.15%	118,350,876
KGTF	0.08%	1,861,110
Total Component Units	32.10%	736,728,651
	100.00%	\$ 2,296,447,530

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Employer Contributions (OPEB)

September 30, 2016 to 2022

Plan Year Ending September 30	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2022	\$ 226,752,531	\$ 57,127,531	\$ 169,625,000	\$ 620,665,876	9.20%
2021	\$ 213,325,003	\$ 46,623,006	\$ 166,701,997	\$ 642,926,286	7.25%
2020	\$ 243,113,708	\$ 40,430,490	\$ 202,683,218	\$ 510,872,087	7.91%
2019	\$ 188,140,363	\$ 43,955,093	\$ 144,185,270	\$ 479,551,309	9.17%
2018	\$ 234,228,724	\$ 45,073,753	\$ 189,154,971	\$ 477,772,749	9.43%
2017	\$ 242,141,492	\$ 40,670,668	\$ 201,470,824	\$ 474,098,955	8.58%
2016	\$ 209,503,758	\$ 40,670,668	\$ 168,833,090	\$ 474,098,955	8.58%

Actuarially determined contributions are determined as of October 1, one year prior to the end of the fiscal year in which contributions are reported. Methods and assumptions used to determine contributions are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level dollar amount over 30 years on an open amortization period
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	8% for FY2023, decreasing 0.5% per year to 4.5 percent in FY2030 and an ultimate rate of 4.1 percent for FY2031 and later years.
Dental trend rates	4.25% per year, based on a blend of historical retiree premium rate increases as well as observed U.S. national trends.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available. See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Administrative and General Expenses

September 30, 2023 and 2022

	Defined Benefit Plan	Defined Contribution Plan	Total 2023	Total 2022
Salaries and wages	\$ 1,462,926	425,198	1,888,124	1,759,141
Third party administrator fees	-	1,108,651	1,108,651	1,116,820
Insurance	424,869	329,420	754,289	763,181
Computer program services/maintenance	297,000	33,000	330,000	330,000
Legal fees	290,870	32,717	323,587	211,689
Pension expense	153,556	112,936	266,492	41,471
Repairs and maintenance	90,581	46,345	136,926	74,651
Utilities	55,134	55,960	111,094	93,550
Actuary fees	92,904	10,323	103,227	105,525
Audit fees	49,892	16,631	66,523	60,200
Depreciation and amortization	49,707	2,614	52,321	30,733
Office supplies	29,387	9,386	38,773	22,180
Computers supplies and software	38,059	-	38,059	15,251
Postage	21,770	10,921	32,691	24,512
Communications	23,918	5,173	29,091	29,727
Travel and transportation	16,478	12,492	28,970	15,046
Proxy voting services	27,483	-	27,483	17,308
Medicare contribution	21,138	6,144	27,282	25,415
Miscellaneous	11,129	11,511	22,640	25,374
OPEB (benefit) expense	(47,023)	66,511	19,488	288,720
Printing and publications	13,278	6,017	19,295	22,660
Board of trustees expenses	6,886	4,908	11,794	13,588
COVID - 19 expenses	10,640	-	10,640	13,652
Equipment rental	2,667	4,683	7,350	20,710
Medical exams	6,474	-	6,474	2,217
Training	3,998	1,333	5,330	13,331
Bad debt	-	-	-	615
	<u>\$ 3,153,721</u>	<u>\$ 2,312,873</u>	<u>\$ 5,466,594</u>	<u>\$ 5,137,267</u>

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Personnel Costs

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Salaries and wages	\$ 1,888,124	\$ 1,759,141
Pension expense	266,492	41,471
Medicare contribution	<u>27,282</u>	<u>25,415</u>
	<u>\$ 2,181,898</u>	<u>\$ 1,826,027</u>
Average number of employees	<u>39</u>	<u>42</u>
Average cost per employee	<u>\$ 55,946</u>	<u>\$ 43,477</u>

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Personnel Count - Public Law 28-150: Section 45

September 30, 2023 and 2022

	Full Time Employees		Total Salaries & Wages Expended
	During FY 2023	As of September 30, 2023	
Director's Office	2	2	\$ 164,679
Administrative Services	5	5	203,653
Accounting / Investments	18	18	867,350
Members and Benefits Services	13	14	652,442
	<u>38</u>	<u>39</u>	<u>\$ 1,888,124</u>

	Full Time Employees		Total Salaries & Wages Expended
	During FY 2022	As of September 30, 2022	
Director's Office	2	2	\$ 159,778
Administrative Services	5	5	159,931
Accounting / Investments	19	22	930,870
Members and Benefits Services	13	13	508,562
	<u>39</u>	<u>42</u>	<u>\$ 1,759,141</u>

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Other Receivables - Defined Benefit Plan

September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Benefit overpayments	\$ 633,406	\$ 549,946
Member rate differential	<u>91,679</u>	<u>79,819</u>
	<u>\$ 725,085</u>	<u>\$ 629,765</u>

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Receivables by Agency - Defined Benefit Plan

September 30, 2023

Agency	Employer Contributions	Employer Contributions (Unfunded Liability)	Member Contributions	Interest & Penalties	Retiree Supplemental Benefits & Insurance	TOTAL
Department of Administration (General Fund)	\$ 886,421	\$ 1,007,976	\$ 301,110	\$ 31,892	\$ 1,963,804	\$ 4,191,203
Guam Department of Education	785,615	940,451	264,319	63,464	-	2,053,849
Guam Memorial Hospital Authority	165,888	398,811	56,445	-	-	621,144
University of Guam	189,878	193,134	64,128	-	-	447,140
Supreme Court of Guam	107,986	133,732	37,208	-	-	278,926
Guam Community College	82,447	63,480	27,552	-	-	173,479
Guam International Airport Authority	88,656	50,506	29,723	-	-	168,885
Guam Power Authority	-	562	-	-	32,293	32,855
Port Authority of Guam	-	81	-	-	-	81
TOTAL	\$ 2,306,891	\$ 2,788,733	\$ 780,485	\$ 95,356	\$ 1,996,097	\$ 7,967,562

See independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Receivables by Agency - Defined Benefit Plan

September 30, 2022

Agency	Employer Contributions	Employer Contributions (Unfunded Liability)	Member Contributions	Interest & Penalties	Retiree Supplemental Benefits & Insurance	TOTAL
Department of Administration (General Fund)	\$ 891,367	\$ 870,116	\$ 304,820	\$ 31,892	\$ 1,963,804	\$ 4,061,999
Guam Department of Education	783,886	870,160	264,580	63,464	-	1,982,090
Guam Memorial Hospital Authority	157,667	342,816	53,953	-	-	554,436
University of Guam	163,583	176,882	55,526	-	-	395,991
Supreme Court of Guam	92,305	105,695	32,093	-	-	230,093
Guam Community College	70,737	49,209	23,729	-	-	143,675
Guam Power Authority	-	562	-	-	32,293	32,855
Guam Economic Development Authority	7,087	16,594	2,377	-	-	26,058
Port Authority of Guam	-	81	-	-	-	81
TOTAL	\$ 2,166,632	\$ 2,432,115	\$ 737,078	\$ 95,356	\$ 1,996,097	\$ 7,427,278

See independent auditors' report.

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 Board of Trustees
Government of Guam Retirement Fund

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 Retirement Fund, as of and for the year ended September 30, 2023, which comprise the statement of fiduciary net position and statement of changes in fiduciary net position, and the related notes to the financial statements, which collectively comprise Government of Guam Retirement Fund's basic financial statements, and have issued our report thereon dated March 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Government of Guam Retirement Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government of Guam Retirement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government of Guam Retirement Fund'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government of Guam Retirement Fund'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 statements. 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.

Bryce A. Comm, P.C.

Tamuning, Guam
March 31, 2024