



A Report to Our Members

For Fiscal Year 2009

Issued August 2010

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MISSION

The purpose of the Fund is to provide retirement annuities and other benefits for the employees of the government of Guam enabling them to accumulate reserves for themselves and their survivors to meet the hazards of old age, disability, death & termination of employment.

About US

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

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

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

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 Contributions and earnings are **tax-deferred** until money is withdrawn.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

Board of Trustees

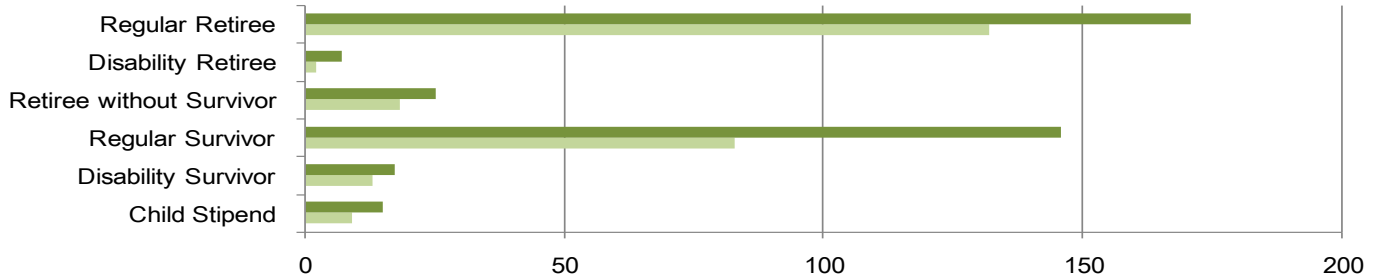
The Retirement Fund Board of Trustees (the “Board”) is responsible for the general administration and proper operation of the Fund. With the passage of Public Law 27-43, effective November 14, 2003 the Board comprises seven members. Three are appointed by the Governor with the advice and consent of the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

The Fund is accounted for as a blended component unit, fiduciary fund type, pension trust fund of the Government of Guam.

	FY 2009	FY 2008
Participant Counts - DB Plan		
Active	3,732	3,952
Retired	7,112	7,085
Total Actives and Retirees	10,844	11,037
Inactive and Terminated Members with Accumulated Contributions		
	6,525	6,634
	17,369	17,671
Participant Counts - DC Plan		
Active	7,107	6,759
Retired	255	222
	7,362	6,981

DEFINED BENEFIT PLAN

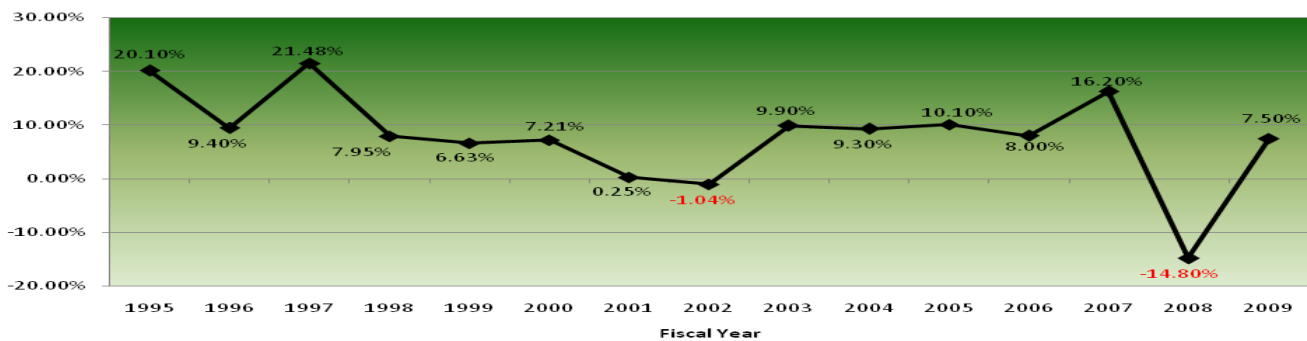
New DB Retirees



	Child Stipend	Disability Survivor	Regular Survivor	Retiree without Survivor	Disability Retiree	Regular Retiree
■ 2009	15	17	146	25	7	171
■ 2008	9	13	83	18	2	132

For 2009, the DB Plan investment portfolio posted a positive return of 7.5%, compared to 2008's negative return of 14.8%. Due to the volatility of the financial markets in 2008, GGRF experienced negative returns for the first time in six years.

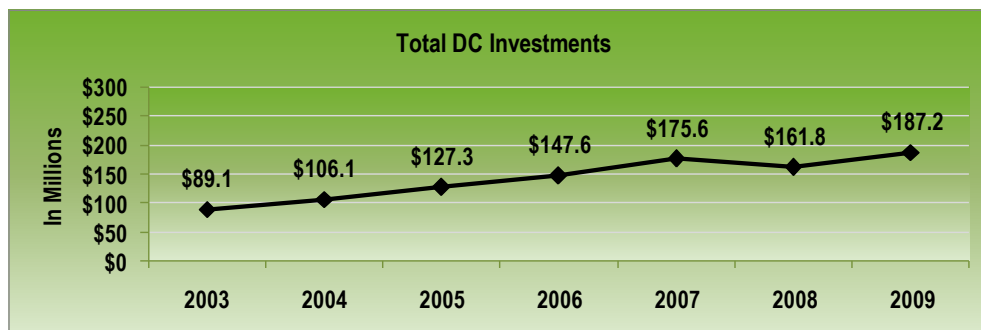
Annual Rate of Return



GGRF investment returns averaged 7.9% percent from 1995 through 2009. Over that period, there have only been two years with negative returns, both of which occurred in the last eight years.

DEFINED CONTRIBUTION PLAN

The market value of the DC Plan investments grew from \$161.8 million in 2008 to \$187.2 million 2009, due to the increased carrying value of investments resulting from the rebounding of the investment market.



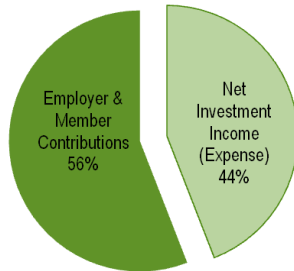
In addition, DC Plan employer and employee contributions increased by \$1 million or 4.3% over 2008. The increase in contributions is due largely to the increase in the number of DC Plan participants.

Income & Expense

DEFINED BENEFIT PLAN

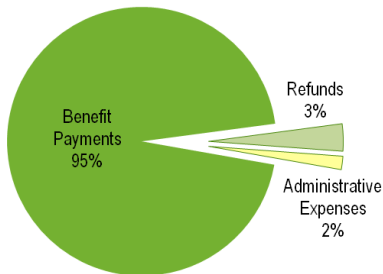
DB Contributions and Net Investment Income

FY 2009



DB Expense

FY 2009

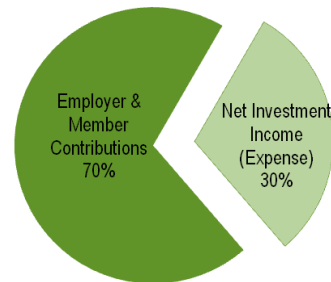


	FY 2009	FY 2008
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 31.7	\$ (241.8)
Interest, Dividends & Other Investment Income	56.5	53.8
Less Investment Expenses	(2.9)	(3.5)
Net Investment Income (Expense)	85.3	(191.5)
Employer & Member Contributions	108.1	101.6
Total Additions	193.4	(89.9)
Benefit Payments	171.5	168.7
Refunds	5.9	5.9
Administrative Expenses	2.9	3.1
Total Deductions	180.3	177.7
Bad Debt Recovery	(4.0)	(0.1)
Net Increase (Decrease) in Net Assets	\$ 17.1	\$ (267.5)

DEFINED CONTRIBUTION PLAN

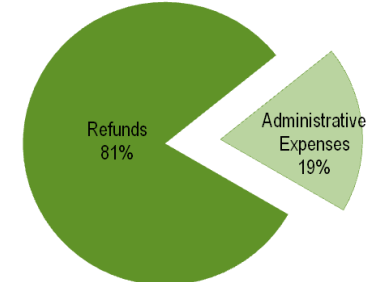
DC Contributions and Net Investment Income

FY 2009



DC Expense

FY 2009



	FY 2009	FY 2008
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 8.9	\$ (32.0)
Interest, Dividends & Other Investment Income	1.6	6.7
Net Investment Income (Expense)	10.5	(25.3)
Employer & Member Contributions	24.1	23.3
Total Additions	34.6	(2.0)
Refunds	6.8	9.4
Administrative Expenses	1.6	1.9
Total Deductions	8.4	11.3
Net Increase (Decrease) in Net Assets	\$ 26.2	\$ (13.3)

Independent Audit

An independent audit was conducted, resulting in a clean audit opinion. Complete financial information can be found at our website: www.ggrf.com.

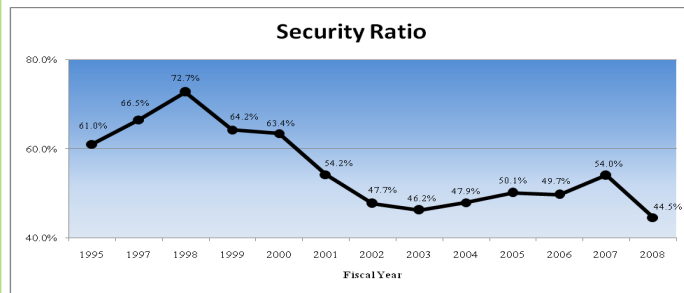
DEFINED BENEFIT PLAN

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

1. Ensuring 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 the Fund and managing the investments.

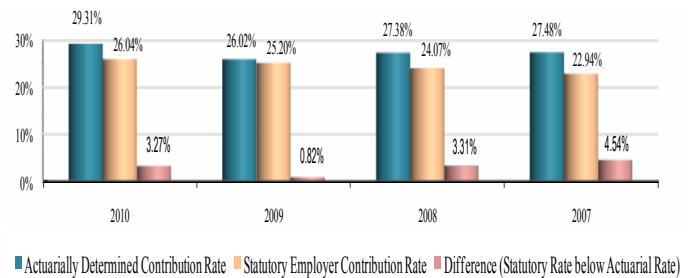
The Board performs quarterly investment performance reviews and rebalances the Fund's investment portfolio accordingly.

Underfunding of the DB Plan continues to be an ongoing problem. The unfunded liability has grown from \$552 million at September 30, 1995 to \$1.51 billion at September 30, 2008. This represents a decrease in the security ratio, from 61.0% in 1995 to 44.5% in 2008, and an increase in the unfunded liability ratio from 39% in 1995 to 55.5% in 2008.



While full funding has not occurred, management commends the Guam Legislature for its efforts towards attaining full funding (1) with the Passage of Public Law 28-150 in 2007, and (2) by maintaining the provisions of that law in the 2009 and 2010 Budget Bills (Public Laws 29-113, and 30-55).

As reflected below, for 2009, 2008, and 2007, the Guam Legislature's efforts toward full funding have 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.



The Fund continues to recommend that the Guam Legislature fully fund the actuarially determined contribution rate. The uncertainties in the investment markets, and the 22.58 years remaining in the funding period underscores the need for full funding.

DEFINED CONTRIBUTION PLAN

The Board is considering **alternative plan designs**, which may include Defined Benefit Plan features, to enhance the retirement benefits available to Defined Contribution Retirement System 401(a) (DC Plan) members.

In addition, effective April 14, 2010, the BlackRock LifePath Portfolios (**Target Date Funds**) replaced the existing Profile Portfolios (Target Risk Funds) as the default fund for the DC Plan and 457 Deferred Compensation (457) Plan Participants.

Target date funds are special mutual funds in the hybrid category, structured to address some date in the future, such as retirement. The asset mix (stocks, bonds, cash equivalents) in the portfolio adjusts automatically according to a selected time frame. The fund's investment objective changes over time, with its allocation moving to more conservative investments as the target date approaches.

Unlike a target date fund, the investment objective of target risk funds remain consistent over time.

An actively managed **Treasury Inflation-Protected Securities (TIPS) fund** was also added to the menu of investment options offered to DC and 457 Plan Participants.

TIPS are marketable securities that provide protection against inflation. The principal of a TIPS rises with inflation and falls with deflation, as measured by the Consumer Price Index. TIPS pay interest at a fixed rate every six months. Because the rate is applied to the adjusted principal, interest payments can vary in amount from one period to the next. But like the principal, interest payments rise with inflation and fall with deflation. At maturity, investors receive the adjusted principal or the original principal, whichever is greater — protecting against both inflation and deflation.

We would like to hear from you...

Do you like this report? Do you believe it should include different or additional information? Please contact the Fund through our website at www.ggrf.com, or by telephone at (671) 475-8900, or by facsimile at (671) 475-8922. More information is available on our website.