



# A Report to Our Members

For Fiscal Year 2019

Issued July 2020

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

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

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 **Contributions** and **earnings** are **tax-deferred** until money is withdrawn.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

The *Defined Benefit 1.75 Plan* (DB 1.75 Plan) became effective January 1, 2018. The DB 1.75 Plan comprises additional provisions to the DB Plan which establishes an alternative benefit structure, and constitutes a tax-qualified “governmental plan” as described under Sections 414(d) and 401(a) of the United States Internal Revenue Code. The alternative benefit structure is coordinated with participation in, and mandatory contribution to, the Government of Guam Deferred Compensation Plan.

### Board of Trustees

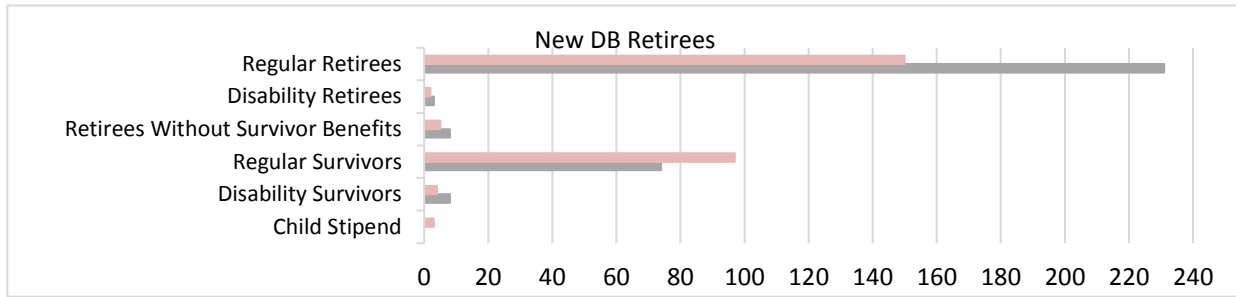
The Retirement Fund Board of Trustees (the “Board”) is responsible for the general administration and proper operation of the Fund. With the passage of Public Law 27-43, effective November 14, 2003 the Board comprises seven members. Three are appointed by the Governor with the advice and consent of the 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 2019	FY 2018
<b>Participant Counts - DB Plan</b>		
Active	1,605	1,845
Retired	7,360	7,252
Total Actives and Retirees	9,097	9,097
Inactive and Terminated Members with Accumulated Contributions	3,162	3,134
	12,259	12,231
<b>Participant Counts - DC Plan</b>		
Active	6,286	5,921
Inactive (Non-Contributing) Members with Account Balances	6,505	6,270
	12,791	12,191
<b>Participant Counts - DB 1.75 Plan</b>		
Active	3,040	3,191
Retired	64	35
Total Actives and Retirees	3,104	3,226

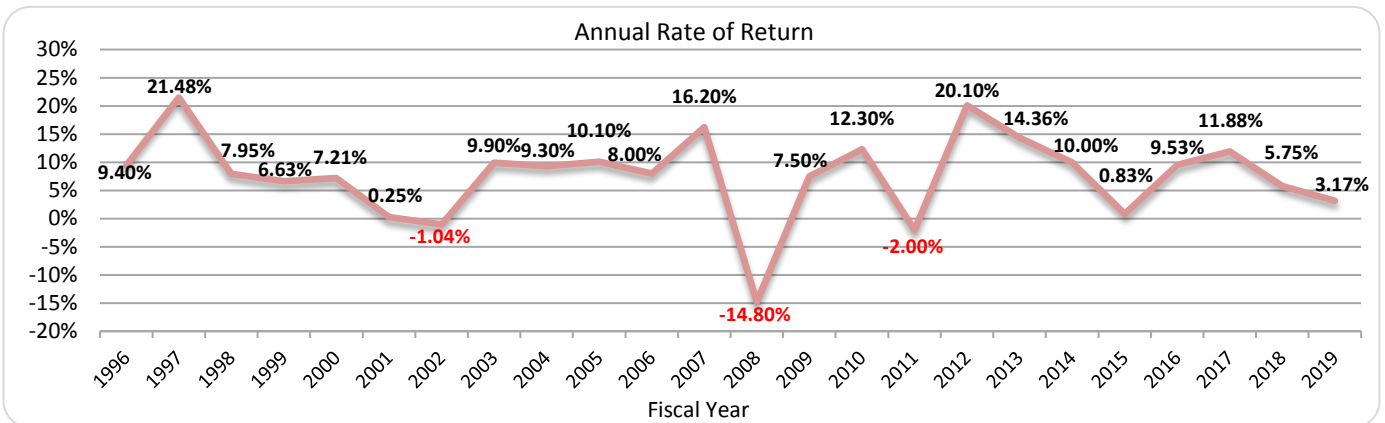
# How We Have Progressed

## DEFINED BENEFIT PLAN



	2019	Regular Retirees	Disability Retirees	Retirees Without Survivor Benefits	Regular Survivors	Disability Survivors	Child Stipend
2019	231	3	8	74	8	0	
2018	150	2	5	97	4	3	

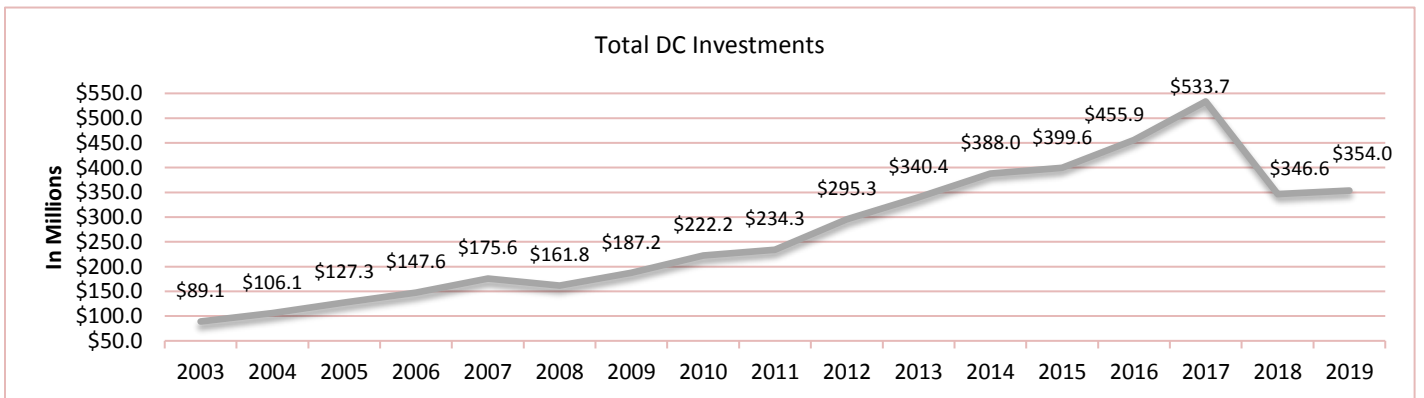
For 2019, the **DB Plan** investment portfolio posted a positive return of 3.17%, compared to 2018's return of 5.75%.



GGRF investment returns averaged 8.16% percent from 1995 through 2019. Over that period, there have been three years with negative returns, all of which occurred in the last seventeen years.

## DEFINED CONTRIBUTION PLAN

For 2019, DC Plan investments totaled \$354M compared to the \$347M in 2018.

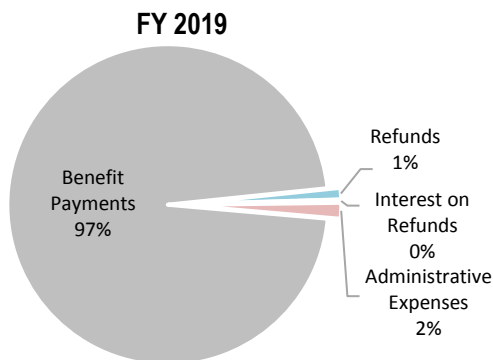
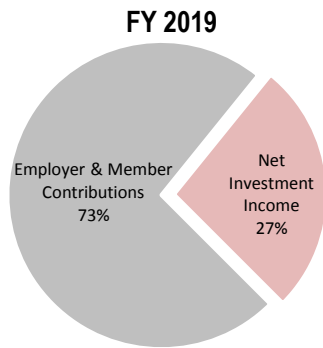


In addition, DC Plan employer and employee contributions decreased by 1,891,806 or 6% over 2018. The decrease in contributions is due largely to the transfer of DC Plan participants to the DB 1.75 Plan in 2018.

# Income & Expense

## DEFINED BENEFIT PLAN

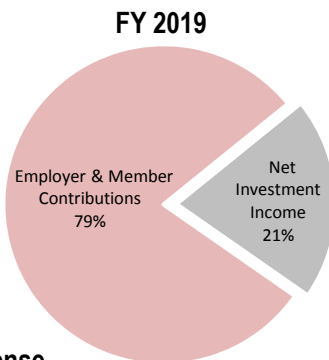
### DB Contributions and Net Investment Income



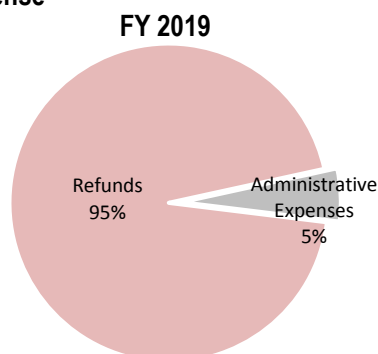
	2019	2018
Net Appreciation in Fair Value		
of Investments	\$18,763,630	\$70,558,548
Interest, Dividends & Other		
Investment Income	43,397,011	39,497,620
Less Investment Expenses	(5,402,151)	(5,574,493)
<b>Net Investment Income</b>	<b>56,758,490</b>	<b>104,481,675</b>
<b>Employer &amp; Member Contributions</b>	<b>141,290,127</b>	<b>155,968,139</b>
<b>Total Additions</b>	<b>198,048,617</b>	<b>260,449,814</b>
Benefit Payments	227,829,152	219,043,804
Refunds	2,717,659	1,793,906
Interest on Refunds	617,745	516,037
Administrative Expenses	3,766,207	4,143,251
<b>Total Deductions</b>	<b>234,930,763</b>	<b>225,496,998</b>
<b>Net Decrease in Net Assets</b>	<b>(\$36,882,146)</b>	<b>\$34,952,816</b>

## DEFINED CONTRIBUTION PLAN

### DC Contributions and Net Investment Income



### DC Expense



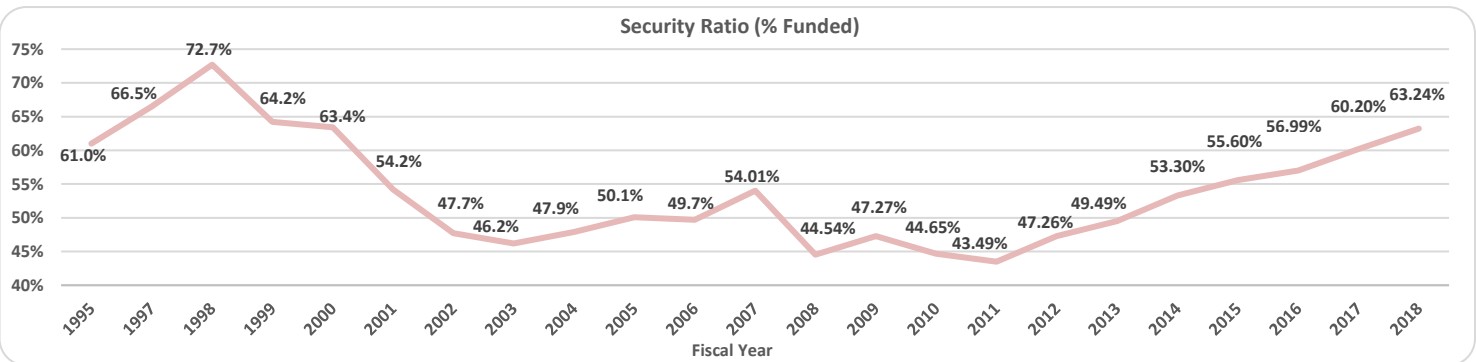
	2019	2018
Net Appreciation in Fair Value		
of Investments	(29,958,355)	18,863,481
Interest, Dividends & Other		
Investment Income	37,815,522	25,252,853
Less Investment Expenses	(153,266)	(124,098)
<b>Net Investment Income</b>	<b>7,703,901</b>	<b>43,992,236</b>
<b>Employer &amp; Member Contributions</b>	<b>29,850,001</b>	<b>31,741,807</b>
<b>Total Additions</b>	<b>37,553,902</b>	<b>75,734,043</b>
Refunds	28,088,482	31,159,183
Administrative Expenses	1,593,766	2,076,658
<b>Total Deductions</b>	<b>29,682,248</b>	<b>33,235,841</b>
<b>Net Increase in Net Assets</b>	<b>7,871,654</b>	<b>42,498,202</b>

## Independent Audit

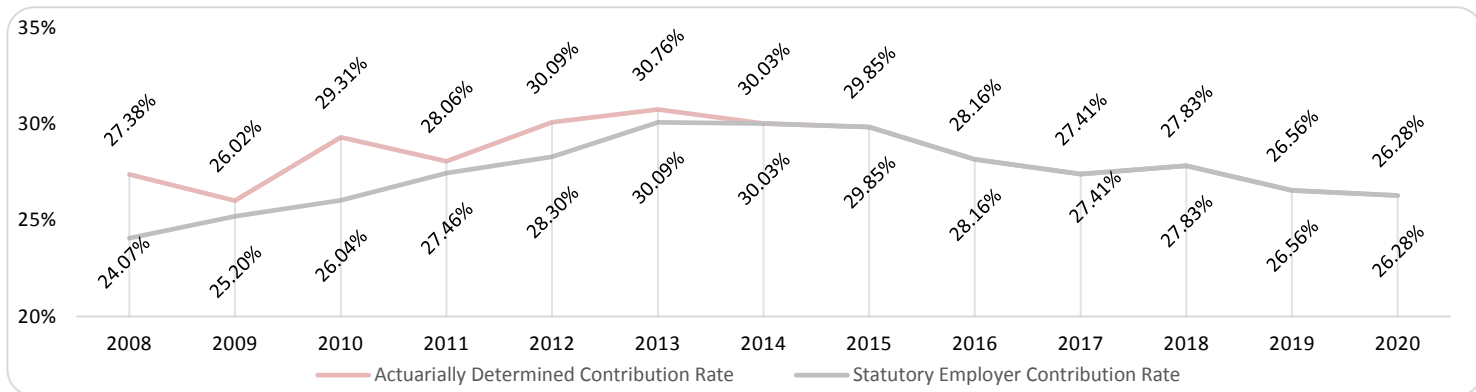
An independent audit was conducted, resulting in a clean audit opinion. Complete financial information can be found at our website: [www.ggrf.com](http://www.ggrf.com).

## DEFINED BENEFIT PLAN - UNFUNDED LIABILITY & SECURITY RATIO

Underfunding of the DB Plan continues to be an ongoing concern. The unfunded liability has grown from \$552 million at September 30, 1995 to \$1.18 billion at September 30, 2018. This represents a decrease in the security ratio, from 66.5% in 1997 to 63.24% in 2018, and an increase in the unfunded liability ratio from 33.5% in 1995 to 36.76% in 2018. The security ratio is the ratio of assets to liabilities.



If future contributions equal the actuarially determined contribution rate, and plan investments earn 7% each year, the DB Plan is expected to become fully funded in 2033. The Guam Legislature’s efforts toward full funding since 2007 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. A comparison of the “actuarially determined” versus the “statutory” employer contribution rates for 2008 to 2019 are reflected below.



## THE CORONAVIRUS – A GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization (WHO) officially declared the Coronavirus (COVID-19) a global pandemic amid a rapid escalation in the number of affected countries, confirmed cases, and deaths. The WHO recommended that containment measures be adopted globally.

On March 13, 2020, President Donald J. Trump declared a national emergency in the United States. In response to the Presidents’ declaration, on March 14, 2020, Governor Lourdes A. Leon Guerrero issued Executive Order 2020-03 declaring a state of emergency in response to COVID-19.

On March 16, 2020, the Governor issued Executive Order 2020-04 ordering the closure of all non-essential Government of Guam offices, prohibiting large gatherings, and restricting entry into Guam from countries with confirmed COVID-19 cases. As such, schools and non-essential government agencies and businesses were closed.

The Fund closed and has re-opened, but is providing limited services to its Members and Retirees, while implementing social distancing measures. While the disruption is currently expected to be temporary, there is uncertainty around the duration. This matter is expected to negatively impact the Fund’s investments and net position. As of April 30, 2019, the impact on investments is as follows:

The market value of the Fund’s invested assets in the DB plan decreased from \$2.0 billion at September 30, 2019 to approximately \$1.78 billion at April 30, 2019. This is a decrease of \$220 million, or about 11.0%. DC plan assets decreased from \$354 million at September 30, 2019 to \$349 million at April 30, 2019. This is a decrease of \$5 million, or about 1.41%. These decreases are due largely to market fluctuations as a result of COVID-19.

However, due to significant uncertainties caused by COVID-19, the Fund is unable to reasonably estimate the ultimate financial impact at this time.

*We would like to hear from you ...* Do you like this report or believe it should include different / additional information? Please contact GGRF through our website [www.ggrf.com](http://www.ggrf.com), by telephone at (671) 475-8900, or by fax at (671) 475-8922. More information is available on our website.



Clariza Roque <croque@guamopa.com>

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## FY 2019 --- GGRF Citizen Centric Report

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Vivian D. Mantanona <vdmantanona@ggrf.com>

Mon, Jul 20, 2020 at 11:54 AM

To: "The Honorable Tina Muña Barnes, Speaker, 35th Guam Legislature" <speaker@guamlegislature.org>

Cc: "Clariza Roque, Office of Public Accountability" <croque@guamopa.com>, Paula Blas <pmblas@ite.net>, Diana Bernardo <dtbernardo@ggrf.com>, Ceria Magdalera <camagdalera@ggrf.com>

Hafa Adai Speaker Muña Barnes:

As per Director Paula Blas, submitted in accordance with Section 2(a) of Public Law 30-127, is the **Retirement Fund's FY 2019 Citizen Centric Report**, in electronic format. The report will also be posted on the Fund's website at [www.ggrf.com](http://www.ggrf.com).

Should you have any questions, please feel free to contact me at 475-8917, or Ms. Diana T. Bernardo, Controller, at 475-8912.

Regards,

Vivian Mantanona

Retirement Fund

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