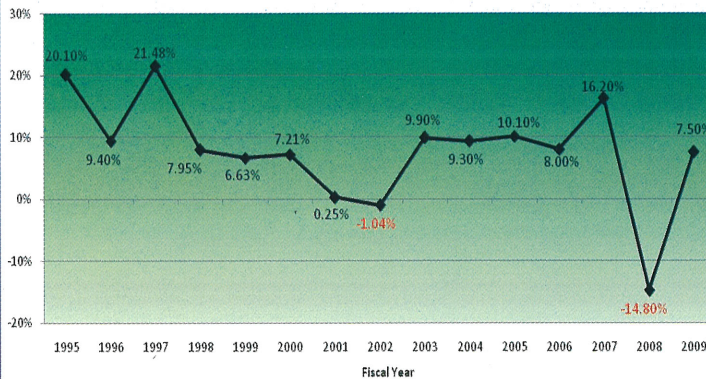


DEFINED BENEFIT PLAN - INVESTMENTS

For 2009, the Defined Benefit Plan investment portfolio posted a positive return of 7.5%, a rebound from the negative 14.8% return in 2008. The market value of DB Plan investments increased by \$38.1 million, ending the year at \$1.16 billion.

Annual Rate of Return



As reflected above, due to the volatility of the financial markets in 2008, GGRF experienced a negative return for the first time in six years.

The Board has taken a proactive approach toward mitigating the impact of market volatility through diversification. The DB Plan investments are well diversified in a strategic asset allocation mix that targets 30% of funds invested in domestic large cap equity, 10% in domestic small cap equity, 12% in international developed markets, 5% in international small cap, 3% in international emerging markets, 30% in fixed income, and 10% of funds in real estate investment trusts. This mix helps to moderate the effects of underperforming investments on total fund performance, and helps to offset potential portfolio losses during times of negative volatility.

In 2009, \$47 million in investments were liquidated to meet DB Plan benefit payment obligations. The Fund will continue to liquidate as contributions are not sufficient to cover monthly benefit payments. The Board recognizes that the Fund cannot rely solely on investment earnings for funding, but also employer and employee contributions.

The Board also continues to work collaboratively with the Guam Legislature to achieve the actuarially determined government contribution rate.

**DEFINED CONTRIBUTION & 457 DEFERRED COMPENSATION PLANS
 CHANGES TO INVESTMENT OPTIONS
 EFFECTIVE APRIL 14, 2010**



- The BlackRock LifePath Portfolios (Target Date Funds) will be replacing the existing Profile Portfolios (Target Risk Funds) as the default fund for the Government of Guam's Defined Contribution and Deferred Compensation Plan Participants.

The investment objective of target date funds changes over time, with its allocation moving to more conservative investments as the target date approaches. Unlike target date funds, the investment objective of target risk funds remain consistent over time.

- An actively managed Treasury Inflation-Protected Securities (TIPS) fund will also be added to the menu of investment options offered to Defined Contribution and Deferred Compensation Plan Participants.

TIPS provide protection against inflation and pay interest at a fixed rate every six months. 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.



**DEFINED CONTRIBUTION PLAN
 INVESTMENTS**

DC Plan net assets increased by approximately \$26.2 million in 2009. The plan ended the year with a net appreciation in fair value of investments of \$8.9 million, up \$40.9 million from 2008's negative \$32 million.

DC Plan participants, upon retirement or termination of employment, are entitled to the balance in their individual account, which is based on employee and employer contributions, plus or minus investment gains or losses. The investment market volatility, particularly in FY 2008, highlighted the vulnerability of the individual member accounts, and raised concern that DC members will not accumulate adequate financial reserves to enable them to maintain a decent standard of living in their retirement years. Accordingly, the Board is considering possible alternative plan designs, which may enhance the retirement benefits available to DC Plan members.

DEFINED CONTRIBUTION PLAN - RETIREMENT BENEFITS

Defined Contribution (DC) Plan members who are age 55 or over with five (5) or more years credited Government of Guam service, may be eligible for retirement under Title 4 Chapter 8 Article 2 §8211(a) of the Guam Code Annotated.

If you meet the above criteria and are considering terminating your employment with the Government of Guam, you are highly encouraged to **obtain pre-retirement counseling** to determine retirement eligibility **prior to terminating your employment**.

In accordance with §8211 (a):

At any time after a member reaches the early retirement age of fifty-five (55) years and has completed five (5) years of employment for vesting purposes, or reaches the normal retirement age of sixty-five (65) years, that person may elect to receive retirement benefits by notifying the Board, or its designee, in writing, of such intention *not less than* sixty (60) days prior to the effective date of retirement.



Benefits available to eligible retirees of the DC Plan include a lump sum payment equal to 50% of the member's unused accumulated sick leave balance at the time of retirement. In accordance with Title 4 Chapter 4 §4108, the lump sum payments are calculated by multiplying the member's hourly rate based on the average of his or her 3 highest salaries received during the years of credited service, by 50% of the member's unused accumulated sick leave hours. The lump sum for unused sick leave shall be paid by the member's agency of employment.

In addition, DC Plan retirees are eligible to participate in the Government of Guam Group Health and Life Plans, and they may be entitled to the annual Cost of Living Allowance (COLA). The COLA benefit, however, is subject to legislative appropriation and availability of funds.

To schedule an appointment to determine your eligibility to retire, please call the Great-West Retirement Services at (671) 475-8945, or visit their office located on the second floor of the Retirement Fund building in Maite.

DC Plan Orientation

Newly hired, or returning Government of

Guam employees, mandated to participate in

the Defined Contribution Plan (the "Plan"), have the opportunity to better understand the Plan by attending a mandatory 1-day orientation. The monthly event provides information on investment options and tips on managing individual member accounts. Orientations are scheduled from 9:00 am to 12:00 noon, on the second floor of the Retirement Fund building in Maite.

Register to attend by calling Great West Retirement Services at 475-8945/8957. Work-site group orientations may be arranged with Great West through your department/agency head or human resources personnel.



DEFINED BENEFIT PLAN - RETIREES' AUTHORIZED PAYROLL DEDUCTIONS

Payments to third-party vendors for DB retirees' authorized payroll deductions, **may take up to 5 working days after pay day**, to process. Retirees are urged to make advanced payments to avoid becoming overdue or delinquent on their accounts. If your authorized deduction is to an account you intend to withdraw funds from, such funds **may not be immediately available on pay day**.

Retirees may wish to consider changing their third-party deductions, if this service does not adequately address their needs.

KEEP YOUR INFORMATION CURRENT

All DB and DC Plan Members - **active, inactive, retirees, and survivors** - are highly encouraged to keep the following information current: mailing address, contact numbers, marital status, and dependent information.

To ensure death benefits are paid to the beneficiary you choose, members are also encouraged to update their Designation of Beneficiary form. Visit our office or write to us at:

424 Route 8
Maite, Guam 96910

For Forms and the Latest Information: Visit our website at www.ggrf.com