

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

To the Board of Trustees  
Government of Guam Retirement Fund:

In planning and performing our audit of the financial statements of the Government of Guam Retirement Fund (the "Fund") as of and for the year ended September 30, 2011 we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures 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 Fund's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated February 14, 2012 contains our report on reportable conditions in the Fund's internal control. This letter does not affect our report dated February 14, 2012, on the financial statements of the Government of Guam Retirement Fund.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Trustees, management, and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Fund personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Tamuning, Guam  
February 14, 2012

**CURRENT YEAR COMMENTS:**

**None.**

**UPDATE ON PRIOR YEAR COMMENTS**

**FINANCIAL STATEMENT PRESENTATION OF UNFUNDED LIABILITY**

Late in December 2009 the Director of the Department of Administration issued a memo to all Government of Guam agencies. In that memo, she determined that the Government of Guam Retirement Fund was a “multiple employer” plan and not a “single employer” plan. With such a determination and under Statement No. 27 of the Governmental Accounting Standards Board (GASB), the various Government of Guam agencies would remove the actuarially determined liability for unfunded pension benefits from their financial statements and would instead disclose the liability in their footnotes.

The problem is that GASB 27 does not include a clear definition that would enable readers to make a determination if a plan was a single employer or a multiple employer. We contacted the GASB and they concur that the definition is not adequate. They also stated that the GGRF should make its own determination of its status and that the Government of Guam agencies should follow GGRF’s determination.

We conducted further research, which supports the conclusion that the Government of Guam Retirement Fund is a single employer plan. Unless adequate support is found to change this determination, we recommend that the GGRF continue to reinforce the position that it is a single employer plan.

**PREPARATION OF FINANCIAL STATEMENTS**

We are pleased to report that the staff of the Government of Guam Retirement Fund once again prepared the Management’s Discussion and Analysis (MD&A), the financial statements, footnotes to the financial statements, and all supporting schedules.

**FUNDING STATUS**

In prior years we commented on the defined benefit (DB) plan’s funded status and unfunded liability, particularly when the investment performance has been poor. Performance was above average in fiscal year 2010, thus prolonging the longevity of the DB plan’s assets, but performance in fiscal year 2011 was negative.

Annuity payments continue to exceed contributions, so plan assets must be liquidated to meet the annuity obligations. The Fund cannot remit all contributions to the investment managers due to the cash flow situation.

Our concern continues to be that the Board of Trustees, in their fiduciary capacities, are tasked with ensuring that the DB plan survives for a sufficient length of time so that all individuals entitled to annuities will receive them when they come due.

Recommendations:

We have made recommendations in the past about perhaps modifying the benefits under the DB plan and asking the Guam Legislature to require autonomous agencies to remit employer contributions at the actuarially determined rate rather than at the statutory rate.

We repeat those recommendations.