



BURGER • COMER • MAGLIARI
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, 2016 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.

A separate report dated February 15, 2017 contains our report on reportable conditions in the Fund's internal control. This letter does not affect our report dated February 15, 2017, 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.

A handwritten signature in black ink that reads "Burger Comer Magliari".

Tamuning, Guam
February 15, 2017

CURRENT YEAR COMMENTS:

NONE

UPDATE ON PRIOR YEAR COMMENTS

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 higher than the assumed long term rate of return for 2016, but was very low for 2015.

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. Annuity payments are expected to increase annually for the next 10 years, then to level off and start to decrease.

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. It is possible that the actuarially determined rate will decrease in the near term.

Recommendations:

We have recommended in the past that all agencies remit employer contributions at the actuarially determined rate. We continue with the same recommendation.