



## **Financial Highlights**

### **Government of Guam Retirement Fund Financial Audit**

### **Fiscal Year 2024**

July 3, 2025

The Government of Guam Retirement Fund (the Fund) received an unmodified (clean) opinion from independent auditors, Burger & Comer P.C. (BC), on its fiscal year (FY) 2024 financial statements. FY 2024 is the 19<sup>th</sup> consecutive year that the Fund's Report on Internal Control and Compliance has neither material weaknesses nor significant deficiencies. BC issued one management letter comment relative to the loss of funds amounting to \$309 Thousand (K).

The Fund closed FY 2024 with a combined increase of \$507 Million (M) in net position, from \$2.4 Billion (B) in FY 2023 to \$2.9B in FY 2024. The Defined Benefit (DB) Plan's net position increased by \$531.9M while the Defined Contribution (DC) Plan decreased by \$24.8M.

Significant highlights in the Fund's financial audit include:

- DB Plan Net Position increased by \$531.9M;
- DC Plan Net Position decreased by \$24.8M;
- DB Plan Investments increased by \$526.4M, while DC Plan Investments decreased by \$24.9M;
- Fund total Receivables and total Liabilities Decreased by \$8.1M and \$7.3M;
- Fund's administrative and general expenses increased by \$1.5M;
- Impact of market volatility on the DB Plan's unfunded liability; and
- Subsequent Events - Investments.

#### **DB Plan Net Position Increased by \$531.9M**

The DB Plan's FY 2024 net position of \$2.4B is a significant increase of \$531.9M, compared to its FY 2023 net position of \$1.9B. The increase was primarily due to a rise in total assets of \$524.5M, which was primarily attributed to a rise in total investments by \$526.4M, which was largely due to market fluctuations.

During FY 2024, the net appreciation (increase) in the fair value of the investment was \$419.5M, compared to the \$166.4M appreciation in FY 2023, or an increase by \$253.1M. This was largely due to market fluctuations, which resulted in an investment portfolio return of 24.07% for 2024. In FY 2024, both employer and member contributions increased by \$19.9M and \$12.4M, respectively.

Deductions from the DB Plan increased by \$6.4M, primarily due to the increases in benefit payments relating to age and service annuities of \$2.0M, bad debt expense of \$2.0M, and administrative and general expenses of \$1.5M. The total DB Plan membership increased by 1,843 due to the transfer of DC Plan members to the DB 1.75 Plan.

#### **DC Plan Net Position Decreased by \$24.8M**

The Plan's FY 2024 net position of \$452.7M was a \$24.8M decrease compared with FY 2023's net position of \$477.5M. While the DC Plan net position increased by \$107.9M, it was offset by the \$132.7M transfer out to the DB 1.75 Plan, which resulted in an overall decrease in its year-end net position of \$24.8M.

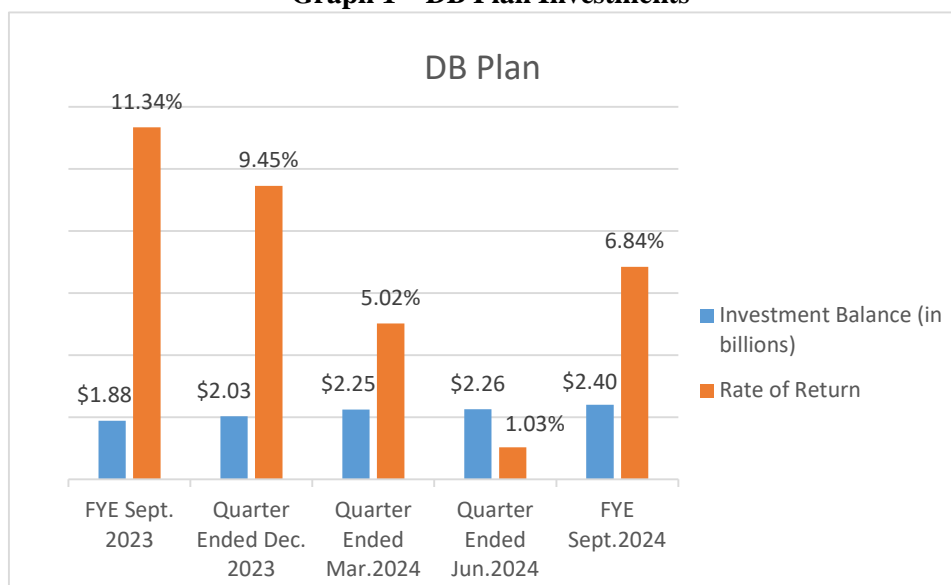
The net appreciation (increase) in the fair value of investments for FY 2024 was \$80.3M compared to the \$39.1M appreciation in FY 2023, which represents an increase of \$41.2M. The appreciation in investments was due largely to market fluctuations.

Deductions from the DC Plan decreased by \$2.7M primarily due to a decrease in refunds to separated employees and withdrawals of \$2.6M. Total active DC membership decreased by 1,901 due to the transfer of DC Plan participants to the DB1.75 Plan effective January 1, 2024.

### **DB Plan Investments Increased by \$526.4M, While DC Plan Investments Decreased by \$24.9M**

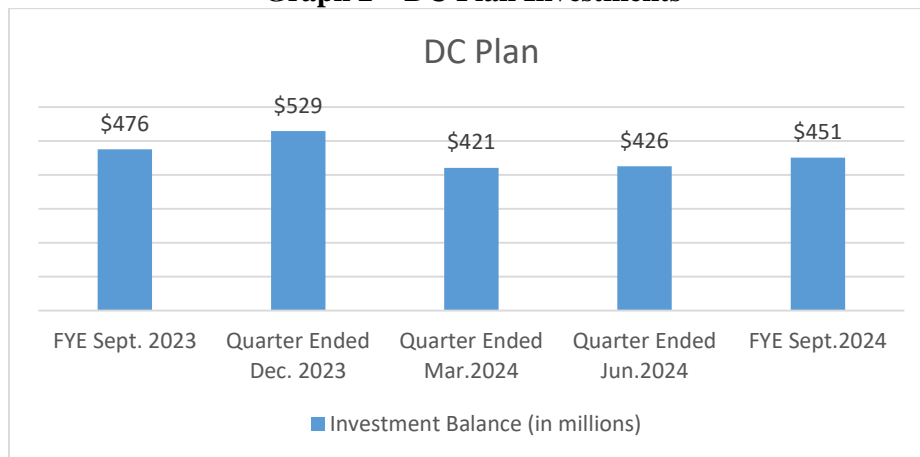
The DB Plan's investment balance of \$2.4B as of FY 2024 represents a significant increase of \$526.4M, from \$1.9B as of FY 2023. The rate of return on investments decreased to 9.45% in the quarter ending December 31, 2023, from a positive 11.34% for the fiscal year ended September 30, 2023. The rate of return continued to decrease at the beginning of the quarter ending March 31, 2024, to 5.02%, but increased to 6.84% for the quarter ending September 30, 2024. Overall, the fiscal year ending September 30, 2024, experienced a positive return of 24.07% compared to FY 2023's positive return of 11.34%. DB Plan investments are managed as a single portfolio because it is expected to exist in perpetuity. See Graph 1.

**Graph 1 – DB Plan Investments**



The DC Plan's investment balance has significantly decreased by \$24.9M, from \$476M in FY 2023 to \$451.1M in FY 2024. DC Plan investments increased to \$529M for the quarter ending December 31, 2023, and then decreased to \$421M as of March 31, 2024, before increasing to \$451M as of September 30, 2024. Unlike the DB Plan, each participant selects their own investment strategy, so it is not possible to state the return for the DC Plan over a particular time period. See Graph 2.

**Graph 2 – DC Plan Investments**



**Fund Total Receivables and Total Liabilities Decreased by \$8.1M and \$7.3M**

As of September 30, 2024, the Fund has total receivables of \$17.8M, which decreased by \$8.1M from FY 2023's receivables of \$25.8M. The DB Plan's total receivables for FY 2024 was \$16.9M, a \$7.3M decrease from \$24.1M in FY 2023, which was largely due to the corresponding decrease in Due from Brokers for unsettled trades of \$7.9M. The DC Plan's total receivables of \$890K in FY 2024 decreased by \$808K from \$1.7M in FY 2023.

The outstanding receivables of \$7.4M from Government of Guam (GovGuam) agencies decreased by \$2M, from \$8.0M as of FY 2023, primarily due to the recording of allowance for doubtful accounts for \$2M, mainly on a receivable from GovGuam General Fund, which had been outstanding for several years and appeared to be uncollectible.

Total Fund liabilities of \$25.8M decreased by \$5.7M from \$31.5M in FY 2023. This was primarily due to a decrease in the amount due to brokers for unsettled trades by \$8.2M, and was offset by an increase in the Net OPEB Liability of \$1.6M. DB Plan total liabilities of \$24.1M decreased by \$6.1M, from \$30.1M in FY 2023. DC Plan total liabilities slightly increased by \$357K, from \$1.3M in FY 2023 to \$1.7M in FY 2024.

**Fund's Administrative and General Expenses Increased by \$1.5M**

During FY 2024, administrative expenses increased by \$1.5M due largely to a: \$468K increase in pension expense, \$362K in retirees MDL/Supp./Cola, \$160K increase in computer program services/maintenance expense, and \$309K in losses due to a cyber-security attack. Regarding the cyber-security attack, the email account of a GGRF employee was compromised by a hacker through phishing, wherein the hacker sent change of contact instructions resulting in unauthorized payments of \$378K. The Fund has recovered only \$69K while the \$309K was charged to administrative expenses. Although the Fund has been in communication with the local office of the Federal Bureau of Investigation, no additional recoveries have been made. The Fund, along with its Bank and Information Technology provider has added additional layers of security to mitigate a recurrence.

**Impact of Market Volatility on the DB Plan's Unfunded Liability**

The unfunded liability is the present value of the future benefits payable that are not covered by the actuarial value of assets as of the valuation date. The unfunded liability increased from \$1.17B (based on the 2022 actuarial valuation) to \$1.21B (based on the 2023 actuarial valuation). The actuarially

determined contribution rate increased from 29.43% to 30.77% due to the net recognition of investment gains and losses over the last three years. Overall, the unfunded liability has grown from \$552M as of September 30, 1995, to \$1.21B as at September 30, 2023. This represents a decrease in the security ratio (from 66.5% in 1997 to 62.47% in 2023) and an increase in the unfunded liability ratio (from 33.5% in 1995 to 37.53% in 2023). The security ratio is the ratio of assets to liabilities.

According to Title 4 of the Guam Code Annotated §8137, if future contributions equal the actuarially determined contribution rate and plan investments earn 7% annually, the DB plan is expected to become fully funded in 2031, within 80 years– from May 1, 1951. Public Law 33-186 extended this period by two years, from 2031 to 2033. Based on the 2023 valuation, there are 9.58 years remaining in the funding period. The uncertainties in the investment markets and the remaining years in the funding period underscore the need for the Legislature to continue providing full funding each year.

### **Net Pension Liability and Other Post-Employment Benefits (OPEB) Liability and Related Party Transactions**

As of the end of FY 2024, GGRF recorded a net pension liability of \$6M and net OPEB liability of \$10.2M. These liabilities increased by \$8K and \$1.6M, respectively, from the prior year. The General Fund and nine GovGuam autonomous and line agencies owed the Fund for a total of \$5.5M in: employer contributions and unfunded liability (\$4.4M), member contributions (\$904K), and interest and penalties (\$95K).

### **Future Outlook-DB Benefit Payments Contingencies**

The United States of America filed a complaint on behalf of five employees and all other employees, who were denied service credits for their service time on the Program, which remained unresolved as of end of FY 2024. The Fund may have to assess any potential exposure upon a final court decision.

### **Subsequent Events - Investments**

As of September 30, 2024, DB Plan investments decreased from \$2.4B to approximately \$2.3B as at December 31, 2024, or a decrease of approximately \$70M. Similarly, DC Plan investments decreased from \$451M as at September 30, 2024, to \$447M as at December 31, 2024, or a decrease of \$4M. The decreases are largely due to market fluctuations.

### **Management Letter**

BC issued one comment relative to a cash loss of approximately \$309K due to a criminal (hacker) who gained access to the Fund's login information resulting from a GGRF's staff responding to a "phishing" email. GGRF did not conduct an immediate scrutiny, although the transactions did not fit GGRF's established pattern for several years. Some transactions were initiated outside of working hours, including weekends. Although the management contacted the bank as well as local and federal law enforcement agencies, they were only able to recover \$69K of the \$378K total taken from GGRF's bank account, thus incurring a loss of the remaining \$309K. BC recommended to refrain from storing login information in the computer. In response, GGRF, along with their Information Technology Provider has installed additional layers of security to mitigate a recurrence.

For more details, refer to the Fund's FY 2024 Financial Statements, Report on Internal Control over Financial Reporting and Compliance, Management Letter, and The Auditor's Communication With Those Charged With Governance at [www.opaguam.org](http://www.opaguam.org) or [www.ggrf.com](http://www.ggrf.com).