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Government of Guam 457 Deferred Compensation Plan – Calendar Year 2019 Financial Highlights

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The Government of Guam (GovGuam) 457 Deferred Compensation Plan (457 Plan) ended calendar year (CY) 2019 with a \$22.2 million (M) increase in net position amounting to a total net position of \$96.0M from \$73.8M in CY 2018. This was primarily due to appreciation in the fair value of investments. The Government of Guam Retirement Fund (the Fund) is responsible for the administration of the 457 Plan.

Independent auditors Burger & Comer, P.C. rendered an unmodified or “clean” opinion on the 457 Plan financial statements. The 457 Plan’s Report on Compliance and Internal Control contained neither material weaknesses nor significant deficiencies. The Fund also did not receive any Management Letter comments.

GovGuam 457 Plan Participation and Contributions

The 457 Plan was established in May 1999. It was amended in January 2018 to comply with the requirements of Public Law No. 33-186, which established the “Government of Guam Defined Benefit 1.75 Retirement System (DB 1.75 Plan)”.

Participation in the 457 Plan is voluntary for all employees, who are members of the GovGuam Defined Benefit Plan and GovGuam Defined Contribution Retirement System. However, it is mandatory for all employees who are members of the DB 1.75 Plan. These employees are required to contribute a minimum of 1% of their base salary to the 457 Plan.

Plan participants, including DB 1.75 participants, may contribute up to 100% of their annual compensation not to exceed Internal Revenue Service limits. Participants may direct the investment of their accounts in various investment options offered by the 457 Plan. There are 22 mutual fund options with an overall value of \$91.8M as of December 2019. Participants who do not choose an investment option for all or part of their account will be deemed to have elected the default investment alternative under the 457 Plan for that portion of their account balance.

Coronavirus (COVID-19) Impact on the 457 Plan

The Fund determined that the worldwide COVID-19 situation may negatively affect its investments and the changes in net assets available for benefits. Both domestic and international equity markets have experienced declines due to the pandemic. Due to the significant uncertainties caused by COVID-19, the Fund is unable to reasonably estimate the ultimate financial impact.

Increase in Additions

In CY 2019, the 457 Plan’s investments were \$91.8M at fair value. This was a \$22.1M increase from \$69.6M in CY 2018. The money used to pay benefits is accumulated from contributions

made by each participant and income generated from the participant's investments, including investment appreciation and interest. Investment income net of fees during CY 2019 was \$14.2M.

Member contributions to the 457 Plan increased by approximately \$767 thousand (K) or 6.83% in CY 2019, which is primarily due to fluctuations in the average contribution per participant and the number of active plan participants. There were 6,438 active participants with account balances in CY 2019 and 4,793 active participants with account balances in CY 2018.

Increase in Deductions

Benefits paid to participants increased by \$261K from \$3.7M in CY 2018 to \$4.0M in CY 2019. The change is attributed to the number of participants choosing to take lump sum distributions at retirement in any one year, changes in the number of participants receiving benefits in the 457 Plan, as well as the size of their account balance. Distributions are largely due to retirements and severance of employment.

For a more detailed discussion, refer to the Fund's Management's Discussion and Analysis or review the reports in their entirety at www.opaguam.org and www.ggrf.com.