
Government of Guam Retirement Fund

Actuarial Valuation as of September 30, 2020

Prepared by:

Richard A. Wright
FSA, MAAA

Milliman, Inc.
650 California Street
21st Floor
San Francisco, CA 94108
USA

Tel +1 415 403 1333
Fax +1 415 403 1334

milliman.com

March 29, 2021



650 California Street
21st Floor
San Francisco, CA 94108-2702
USA

Tel +1 415 403 1333
Fax +1 415 403 1334

milliman.com

March 29, 2021

Government of Guam Retirement Fund
424 Route 8
Maite, Guam 96910

**Government of Guam Retirement Fund –
Actuarial Valuation as of September 30, 2020**

As part of our engagement with the Board of Trustees, we performed an actuarial valuation of the Government of Guam Retirement Fund as of September 30, 2020. The purpose of this valuation is to determine the required contribution under the provisions of GCA Section 8137.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the Fund's staff. This information includes, but is not limited to, financial information, member census data, and plan provisions. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete the results may be different and the calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Fund have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Fund. The assumptions have been adopted by the Board of Trustees and are based on the 2011-2015 actuarial experience study.

This valuation report is only an estimate of the Fund's financial condition as of a single date. It can neither predict the Fund's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Fund benefits, only the timing of Fund contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

The results were developed using models that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in the compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP).

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution

requirements based on the Fund's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and actuarial cost methods.

Actuarial computations presented in this report are for the purposes of determining the recommended funding amounts for the Fund. The calculations in this report have been made on a basis consistent with our understanding of the Fund's funding requirements and goals. Determinations for other purposes may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the use and benefit of the Government of Guam Retirement Fund. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

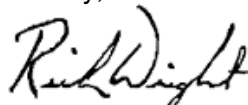
- (a) GGRF may provide a copy of Milliman's work, in its entirety, to its professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit GGRF.
- (b) GGRF may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs. The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



Richard A. Wright, FSA, MAAA
Principal and Consulting Actuary

TABLE OF CONTENTS

Section	Page
I VALUATION SUMMARY	
Introduction	1
Highlights	1
Results of Valuation	3
5-Year Historical Summary	4
Actuarial Assumptions	5
Funding Method	7
II FUND ASSETS	
Exhibit 1. Summary of DB Plan Assets	8
Exhibit 2. DB Plan Asset Allocation	9
Exhibit 3. Changes in DB Plan Assets	10
Exhibit 4. Actuarial Value of Assets	11
Exhibit 5. Historical Returns on DB Plan Assets	12
III MEMBERSHIP DATA	
Exhibit 6. Active Employees	13-14
Exhibit 7. Active Employees by Agency	15
Exhibit 8. Retired Employees	16-17
Exhibit 9. Terminated and Inactive Members	18
Exhibit 10. Reconciliation of Membership Data	19-20
IV VALUATION EXHIBITS	
Exhibit 11. Actuarial Accrued Liability	21-22
Exhibit 12. Calculation of Unfunded Actuarial Accrued Liability	23
Exhibit 13. Calculation of Actuarial Gain/Loss	24
Exhibit 14. Normal Cost	25
Exhibit 15. Amortization of Unfunded Actuarial Accrued Liability	26
Exhibit 16. Actuarially Determined Contribution	27
Exhibit 17. Projection of Contribution Rate	28-29
Exhibit 18. Projection of Security Ratio	30-31
V APPENDICES	
Appendix A. Summary of Pension Plan	32-36
Appendix B. Actuarial Cost Method and Assumptions	37-39
Appendix C. Summary of Participant Data	40-47
Appendix D. Risk Disclosure	48-50
Appendix E. Glossary of Key Terms	51

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

INTRODUCTION

Milliman, Inc. has been retained by the Government of Guam Retirement Fund to provide an actuarial valuation of the retirement fund. In our valuation we:

- Summarize the membership data.
- Calculate the actuarial accrued liability and normal cost.
- Determine the contribution requirements.
- Project the fund balance and security ratio forward 40 years.

The results contained in this report represent our best estimates. However, it is likely that actual experience will vary from these estimates. To the extent that actual experience differs from the anticipated experience, actual plan costs will vary as well.

HIGHLIGHTS

- The required contribution under GCA Section 8137 is **28.32%** of payroll. Of this amount, 22.63% is for the unfunded actuarial accrued liability of the defined benefit plans (Old DB Plan and DB 1.75 Plan), 2.08% is for the normal cost of the DB plans, and 3.61% is for contributions and expenses for the defined contribution (DC) plan.

The primary reason for the increase in the contribution rate from 26.97% for the prior year was the recognition of investment returns for 2017-18, 2018-19, and 2019-20 that were below the assumed rate of return of 7%. Investment gains and losses are recognized over a 3-year period.

Contribution rate from 9/30/19 actuarial valuation	26.97%
2017-18 investment loss (final 1/3 rd recognition) *	0.16%
2018-19 investment loss (second 1/3 rd recognition) *	0.53%
2019-20 investment loss (first 1/3 rd recognition) *	0.36%
Actual payroll increase for 2019-20 of 2.05% vs. assumption of 2.75%	0.15%
Other factors, including demographic changes	<u>0.15%</u>
Contribution rate in 9/30/20 actuarial valuation	28.32%

** Investment returns that differ from the actuarial assumption of 7% are recognized over a 3 year period.*

- Public Law 28-150 provided that the current employer contribution rate would increase over a 5-year period starting in the 2006-07 fiscal year until it reached the actuarial contribution rate, which is the rate specified in the Fund’s actuarial valuation report. The employer contribution rate for the 2020-21 fiscal year is 26.97%.
- The defined benefit (Old DB) payroll for the 2019-20 fiscal year was \$101.5 million compared with \$111.2 million for the 2018-19 fiscal year. The defined benefit (DB 1.75) payroll for the 2019-20 fiscal year was \$161.7 million compared with \$162.3 million for the 2018-19 fiscal year.

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

- The total defined benefit and defined contribution payroll for the 2019-20 fiscal year, was \$519.5 million compared with \$509.1 million for the 2018-19 fiscal year, an increase of 2.05%. The prior valuation assumed a 2.75% increase for the 2019-20 fiscal year and each year thereafter. If total payroll for the 2019-20 fiscal year had increased by 2.75%, the required contribution rate would have been 28.17%.
- Based on the audited financial statements, we calculated an investment return on the total market value of assets of 4.1% for the fiscal year ending September 30, 2020. The average annual return on the market value of assets for the last 5 fiscal years has been 6.8%. The investment return on the actuarial value of assets, which recognizes investment gains and losses over a 3 year period, was 4.1% for the fiscal year ending September 30, 2020.
- The unfunded actuarial accrued liability increased from \$1.155 billion as of September 30, 2019, to \$1.174 billion as of September 30, 2020. The payment required to amortize the unfunded actuarial accrued liability under GCA Section 8137 has increased from \$112.1 million to \$120.8 million. The payment as a percentage of payroll has increased from 21.44% to 22.63%.

RESULTS OF VALUATION

	9/30/2020		9/30/2019	
Participant Counts				
Active Old DB	1,241		1,460	
Non-Uniformed				
Uniformed	<u>179</u>		<u>176</u>	
Total	1,420		1,636	
Active DB 1.75 Participants	3,020		3,214	
Active DC Participants	<u>6,810</u>		<u>6,286</u>	
Total Active Participants (Old DB, DB 1.75, DC)	11,250		11,136	
Retired (Old DB)	7,275		7,291	
Retired (DB 1.75)	124		69	
Inactive/Terminated (Old DB, DB 1.75)				
Assumed to withdraw contributions	3,143		3,047	
Not assumed to withdraw contributions	114		115	
Total DB Participants (Old DB and DB 1.75)	15,096		15,372	
	(\$millions)		(\$millions)	
Actual Payroll for Prior Fiscal Year				
Defined benefit (Old DB) payroll	\$101.5		\$111.2	
Defined benefit (DB 1.75) payroll	161.7		162.3	
Defined contribution (DC) payroll	<u>256.3</u>		<u>235.5</u>	
Total payroll (DB and DC)	\$519.5		\$509.1	
Expected Payroll for Next Fiscal Year				
Defined benefit (Old DB) payroll	\$89.4		\$101.8	
Defined benefit (DB 1.75) payroll	164.5		170.2	
Defined contribution (DC) payroll	<u>279.9</u>		<u>251.1</u>	
Total payroll (DB and DC)	\$533.8		\$523.1	
Financial Status				
Actuarial accrued liability	\$3,228.1		\$3,221.3	
Actuarial value of assets	<u>2,053.9</u>		<u>2,066.0</u>	
Unfunded actuarial accrued liability (UAAL)	\$1,174.2		\$1,155.4	
Security ratio	63.62%		64.13%	
	% of DB Payroll		% of DB Payroll	
Normal Cost				
Total normal cost ¹	\$ 35.3	13.88%	\$ 37.3	13.70%
Estimated employee contributions	<u>(24.2)</u>	<u>(9.52%)</u>	<u>(25.9)</u>	<u>(9.52%)</u>
Government normal cost	\$ 11.1	4.36%	\$ 11.4	4.19%
	% of Total Payroll		% of Total Payroll	
Required Contribution per GCA §8137				
Unfunded actuarial accrued liability cost	\$ 120.8	22.63%	\$ 112.1	21.44%
Government DB normal cost	11.1	2.08%	11.4	2.18%
Expected government DC contributions ¹	<u>19.2</u>	<u>3.61%</u>	<u>17.5</u>	<u>3.35%</u>
Total DB and DC contribution	\$ 151.1	28.32%	\$ 141.1	26.97%

¹ Includes budgeted administrative expenses.

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

5-YEAR HISTORICAL SUMMARY

The following table summarizes the principal valuation results over the last 5 years.

	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Participant Counts					
Active (Old DB)	1,420	1,636	1,870	2,058	2,208
Active (DB 1.75)	3,020	3,214	3,318	3,353	n/a
Retired (Old DB)	7,275	7,291	7,247	7,279	7,298
Retired (DB 1.75)	124	69	26	n/a	n/a
Inactives (Old DB)	3,136	3,139	3,162	4,289	4,463
Inactives (DB 1.75)	<u>121</u>	<u>23</u>	<u>8</u>	<u>n/a</u>	<u>n/a</u>
Total (DB)	15,096	15,372	15,631	16,979	13,969
Active (DC)	6,810	6,286	5,921	5,674	8,858
Actual Payroll (\$millions)					
DB payroll (Old DB)	\$101.5	\$111.2	\$122.2	\$131.5	\$141.3
DB payroll (DB 1.75)	161.7	162.3	127.2	n/a	n/a
DC payroll	<u>256.3</u>	<u>235.5</u>	<u>264.5</u>	<u>376.8</u>	<u>365.1</u>
Total payroll	\$519.5	\$509.1	\$513.9	\$508.3	\$506.3
Financial Status (\$millions)					
Accrued liability	\$3,228.1	\$3,221.3	\$3,197.1	\$3,183.2	\$2,904.9
Actuarial assets	<u>2,053.9</u>	<u>2,066.0</u>	<u>2,021.9</u>	<u>1,916.4</u>	<u>1,655.6</u>
UAAL	\$1,174.2	\$1,155.4	\$1,175.2	\$1,266.8	\$1,249.3
Security ratio	63.62%	64.13%	63.24%	60.20%	56.99%
Contribution Rate					
DB Normal Cost (as % of DB payroll)	4.36%	4.19%	4.34%	4.02%	6.42%
% of Total Payroll					
UAAL Rate	22.63%	21.44%	20.70%	21.29%	22.12%
DB Normal Cost	2.08%	2.18%	2.39%	2.29%	1.60%
DC Contribution	<u>3.61%</u>	<u>3.35%</u>	<u>3.19%</u>	<u>2.98%</u>	<u>4.11%</u>
Actuarial Rate ¹	28.32%	26.97%	26.28%	26.56%	27.83 %
Budget Rate ²	**	26.97%	26.28%	26.56%	27.83 %
Investment Yield (Market Value)	4.1%	2.9%	5.7%	12.0%	9.5%

¹ "Actuarial Rate" is the contribution rate determined in the actuarial valuation. Contribution rates apply to the fiscal year beginning one year after the valuation date.

² "Budget Rate" is the contribution rate set by the legislature. The budget rate for 2021-22 has not yet been determined.

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

ACTUARIAL ASSUMPTIONS

The following are the major assumptions used in the actuarial valuation. The assumptions are based upon the actuarial experience study for the period October 1, 2011, through September 30, 2015. The rationale for each significant assumption is provided in that experience study and in the discussion below. To the extent that actual experience differs from the assumptions below, future pension costs will differ. The next experience study is scheduled to be performed prior to next year's valuation and will be for the period October 1, 2015 to September 30, 2020. That experience study may recommend changes to some assumptions based upon the Fund's recent experience and economic outlook.

Interest Rate: The interest rate used to discount future benefit payments to the present was 7.0% as of September 30, 2020. This assumption is unchanged from the prior valuation. Milliman's expected returns on various asset classes over the next 50 years are shown below, assuming inflation averages 2.50% over the next 50 years. The target asset allocation is the expected long-term asset allocation and is based on the Fund's investment policy.

Asset Class	(a) Target Asset Allocation	(b) Expected Nominal Return	(a) x (b) Component Return
U.S. Equities (large cap)	26.0%	7.01%	1.82%
U.S. Equities (small cap)	4.0%	8.61%	0.34%
Non-U.S. Equities	17.0%	8.66%	1.47%
Non-U.S. Equities (emerging markets)	3.0%	10.59%	0.32%
U.S. Fixed Income (aggregate)	24.0%	3.33%	0.80%
Risk Parity	8.0%	5.66%	0.45%
High Yield Bonds	8.0%	6.11%	0.49%
Global Real Estate (REITs)	2.5%	8.55%	0.21%
Global Equity	7.5%	7.74%	0.58%
Expected average return for one year			6.49%
Expected geometric mean (50 years)			5.89%

The discount rate assumption of 7.0% is higher than the expected arithmetic and geometric returns over 50 years. Note that if investments fail to achieve the assumed interest rate, future pension costs will increase. The 7.0% was based on our experience study from October 1, 2011, through September 30, 2015. Based on the current economic outlook, we may recommend a decrease to the interest rate assumption in the next actuarial valuation.

Mortality. The mortality table used as of September 30, 2020, is the RP-2000 combined mortality table, set forward by 3 years for males and 2 years for females. The mortality table used for disabled lives is the RP-2000 disability mortality table, set forward by 6 years for males and 4 years for females. Mortality improvement is assumed to be 30% of Scale BB, projected generationally from 2016. This is the same table used for the prior actuarial valuation.

Salary Increases. Salaries are assumed to increase 7.5% per year for employees in their first 5 years of service, 6.0% for service between 6 and 10 years, 5.0% for service between 11 and 15 years, and 4.0% for service after 15 years. These are the same rates used in the prior actuarial valuation.

Total Payroll Growth. The total payroll for defined benefit and defined contribution members is assumed to increase 2.75% per year.

Retirement Age. We have assumed 50% of employees will retire when first eligible for unreduced retirement. Thereafter, 20% of employees will retire at each year until age 75, at which time all remaining employees are assumed to retire. This is the same assumption used in the prior actuarial valuation.

Return of Contributions. We have assumed that any current Old DB Plan employees who terminate employment prior to retirement and who have less than 20 years of service will elect a return of contributions in lieu of a deferred benefit. Old DB Plan employees with at least 20 years of service who terminate employment are assumed to retire upon eligibility for unreduced benefits. Old DB Plan employees with between 20 and 24 years of service who terminate employment and are ineligible for the service retirement benefit and DB 1.75 Plan employees who terminate employment with less than 25 years of service are assumed to retire at age 60 with an unreduced benefit with no survivor benefits.

Current terminated or inactive members with at least 5 years of service and a contributions balance that exceeds \$10,000 who have not withdrawn their contributions and for whom sufficient earnings data are available to value their retirement benefits are assumed to retire upon eligibility for unreduced benefits. All other terminated and inactive members are assumed to elect to withdraw their contributions. These assumptions are unchanged from the prior actuarial valuation.

Administrative Expenses. Total administrative expenses are assumed to be \$6,439,000, which is the amount budgeted for the year ending September 30, 2020. Of this amount, \$4,507,300 is allocated to the defined benefit plan and \$1,931,700 to the defined contribution plan. In addition, we have assumed that expenses related to the DB 1.75 Plan will be 5% of the normal cost of that plan.

Rates of Withdrawal. The assumed rates of withdrawal are shown in Appendix B. The withdrawal rates are unchanged from the prior actuarial valuation.

Rates of Disability. The assumed rates of disability are shown in Appendix B. These rates are based on the 1974-78 Society of Actuaries Long Term Disability Non-Jumbo table, with rates reduced by 50% for males and 75% for females. The disability rates are unchanged from the prior actuarial valuation.

Probability of Marriage. We have assumed that 75% of retirees will be married at retirement. This assumption is unchanged from the prior actuarial valuation.

Leave Adjustments. We have assumed that unused leave increases a member's service by 1.5 years. For Old DB Plan members, we have assumed that unused leave increases average earnings by 5% at retirement. These assumptions are unchanged from the prior actuarial valuation.

Survivor Benefit – Minor Children. We have assumed there to be an average of 0.2 eligible child survivors at the time of a retiree's death, with payments to the child survivor continuing for 6 years. These assumptions are unchanged from the prior actuarial valuation.

Asset Valuation Method. Investment gains/losses relative to the assumed investment return are phased in over a period of 3 years. Certain receivables and liabilities whose payments are deducted from employer contributions to the Fund are excluded from the actuarial value of assets. This valuation method is unchanged from the prior valuation.

A complete summary of actuarial assumptions is in Appendix B.

FUNDING METHOD

GCA Section 8137 required a contribution sufficient to fully fund the unfunded actuarial accrued liability by 2031 (within 80 years from May 1, 1951). P.L. 33-186 extended this period by 2 years to 2033. The required contribution shown in this report includes a payment for the normal cost of active members of the Fund, and amortizes the unfunded actuarial accrued liability over the remaining 12.58 years as a level percentage of total payroll (including both defined benefit and defined contribution members).

Based on the current funding method, the employer contribution rate is projected to drop substantially in 2034. The employer contribution rate will also become more and more volatile as the remaining period is reduced. For example, in the year 2033, any investment gains or losses for the prior year will be amortized in one year. The next experience study will review the funding method and may include a recommendation to change the method to reduce the future volatility in the employer contribution rate and spread out the projected decline in the rate.

Exhibits 17 and 18 project the employer and employee contributions, fund balance, actuarial accrued liability and security ratio forward 40 years based upon the current funding method.

SECTION II. FUND ASSETS

EXHIBIT 1. SUMMARY OF DB PLAN ASSETS

Listed below are the assets reported for the defined benefit (DB) pension plan in the Fund's financial statements, excluding certain receivables and liabilities whose payments are deducted from employer contributions to the Fund.

	9/30/2020	9/30/2019
Investments		
Common stocks	\$ 1,267,204,906	\$ 1,290,830,469
U.S. government securities	238,056,397	227,713,814
Corporate bonds and notes	379,706,900	378,643,717
Money market funds	59,103,305	70,248,164
Mutual funds	<u>34,726,986</u>	<u>62,733,790</u>
Total investments	1,978,798,494	2,030,169,954
Receivables		
Employer contributions, net	3,875,120	3,618,867
Employer contributions, unfunded liability	2,797,404	1,947,253
Member contributions	1,441,620	1,338,071
Interest and penalties on contributions	357,601	259,126
Supplemental/insurance benefits advanced	1,996,097	1,996,097
Notes receivable for service credits	1,968,422	2,394,104
Accrued investment income	5,915,703	6,204,386
Other receivables	646,472	594,863
Due from brokers for unsettled trades	1,878,165	3,589,381
Due from DC plan	<u>691,494</u>	<u>685,211</u>
Total receivables	21,568,098	22,627,359
Cash and cash equivalents	2,898,149	4,785,288
Property and equipment	<u>563,726</u>	<u>590,963</u>
Total assets	\$ 2,003,828,467	\$ 2,058,173,564
Liabilities		
Accounts payable and accrued expenses	\$ 3,955,799	\$ 4,451,606
Due to brokers for unsettled trades	<u>10,888,858</u>	<u>50,948,425</u>
Total liabilities	\$ 14,844,657	\$ 55,400,031
Valuation Assets	<u>\$ 1,988,983,810</u>	<u>\$ 2,002,773,533</u>
Excluded Assets ¹		
Supplemental/COLA benefits receivable	\$ 8,097,077	\$ 14,339,393
Deferred revenue for service credits	<u>(2,081,289)</u>	<u>(4,606,105)</u>
Total excluded assets	\$ 6,015,788	\$ 9,733,288

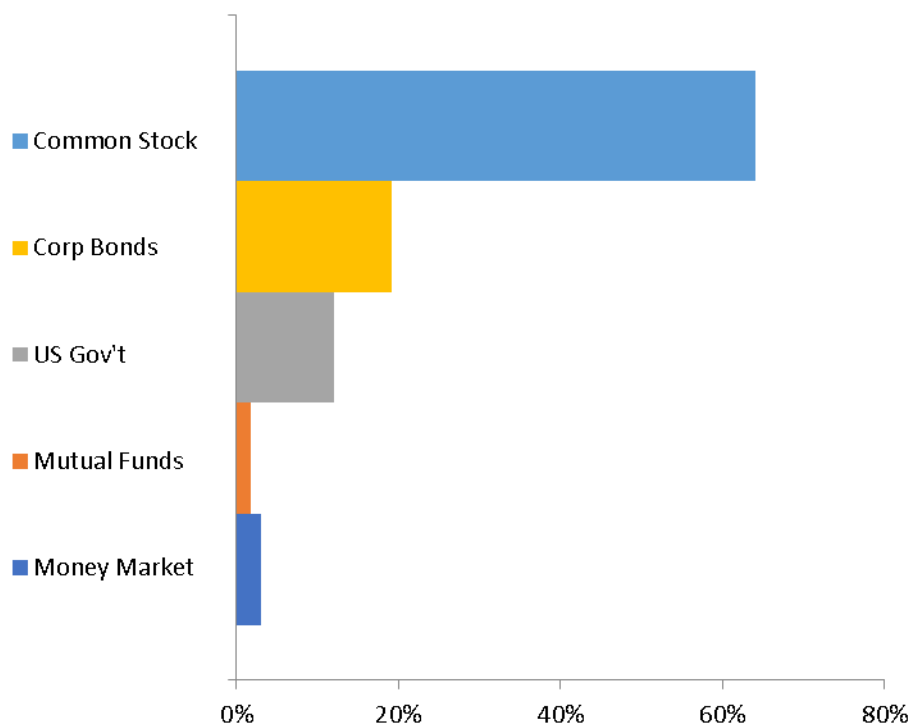
¹ Excluded because payments towards these receivables are deducted from employer contributions.

SECTION II. FUND ASSETS

EXHIBIT 2. DB PLAN ASSET ALLOCATION

The allocation of assets among various investment classes is an important determinant of expected future investment returns.

	DB ASSET ALLOCATION	
	9/30/2020	9/30/2019
Common stocks	64.0%	63.5%
Corporate bonds and notes	19.2%	18.7%
U.S. government securities	12.0%	11.2%
Mutual funds	1.8%	3.1%
Money market funds	<u>3.0%</u>	<u>3.5%</u>
Total	100.0%	100.0%



This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION II. FUND ASSETS

EXHIBIT 3. CHANGES IN DB PLAN ASSETS

Assets increase or decrease each year due to employer contributions, investment income, benefit payments to retiring participants, plan expenses paid by the trust fund, and any realized and unrealized gains and losses from investments.

	FISCAL YEAR ENDING	
	9/30/2020	9/30/2019
Beginning Balance	\$ 2,002,773,533	\$ 2,032,344,992
Contributions		
Employer contributions	115,264,178	114,278,095
Member contributions	25,864,221	27,012,032
Decrease/(increase) in excluded assets	<u>3,717,500</u>	<u>7,278,461</u>
Total contributions	144,845,899	148,568,588
Investment Income		
Net appreciation in fair value	43,652,957	18,763,630
Interest	23,805,299	27,006,116
Dividends	17,815,630	15,833,624
Other investment income	209,278	557,271
Investment expenses	<u>(4,604,148)</u>	<u>(5,402,151)</u>
Total investment income	80,879,016	56,758,490
Benefit Payments		
Age and service annuities	198,200,464	192,223,728
Disability annuities	5,030,637	5,236,218
Survivor annuities	30,698,130	30,369,206
Refunds to separated employees	1,981,775	2,695,839
Interest on refunded contributions	<u>320,196</u>	<u>617,745</u>
Total benefit payments	236,231,202	231,142,736
Administrative Expenses	3,283,436	3,755,801
Ending Balance	\$ 1,988,983,810	\$ 2,002,773,533

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION II. FUND ASSETS

EXHIBIT 4. ACTUARIAL VALUE OF ASSETS

The actuarial value of assets is equal to the market value of DB plan assets adjusted to phase in gains and losses relative to the assumed rate of return over a 3-year period, and to exclude certain receivables and liabilities whose payments are deducted from employer contributions to the Fund.

	9/30/2020	9/30/2019
Valuation assets at market value	\$ 1,988,983,810	\$ 2,002,773,533
(Gains)/Losses excluded from actuarial value (see below)	<u>64,883,581</u>	<u>63,178,588</u>
Actuarial value of assets	\$ 2,053,867,391	\$ 2,065,952,121
Actuarial value as % of market value	103.3%	103.2%

3-Year Phase-in of Gains and (Losses)

Year	Expected Return ¹	Actual Return	Gain/(Loss)	Percent Excluded	Excluded From Market Value
2019/2020	\$136,939,037	\$ 80,879,016	\$ (56,057,765)	66.67%	\$ (37,371,843)
2018/2019	139,293,705	56,758,490	(82,535,215)	33.33%	(27,512,108)
2017/2018	128,947,007	104,481,675	(24,465,332)	0.00%	<u>0</u>
Total					\$ (64,883,581)

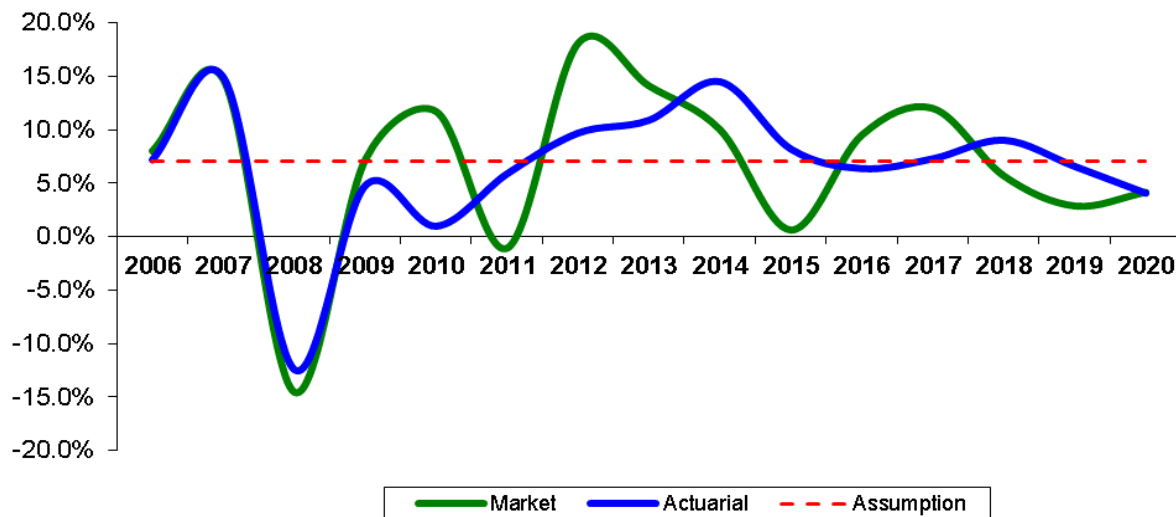
¹ Expected return is based on the assumed investment return, which is 7.0%.

SECTION II. FUND ASSETS

EXHIBIT 5. HISTORICAL RETURNS ON DB PLAN ASSETS

The following table shows the historical return on DB plan assets over the last 15 years. The assumed actuarial valuation rate is 7.0%.

Fiscal Year Ending 9/30	Return on Market Value	Return on Actuarial Value
2020	4.1%	4.1%
2019	2.9%	6.6%
2018	5.7%	9.0%
2017	12.0%	7.3%
2016	9.5%	6.4%
2015	0.6%	8.2%
2014	10.0%	14.5%
2013	14.1%	10.9%
2012	18.1%	9.7%
2011	(1.1)%	5.9%
2010	11.7%	1.0%
2009	7.2%	4.8%
2008	(14.6)%	(12.4)%
2007	14.7%	14.9%
2006	8.0%	7.2%
Average of last 5 years	6.8%	6.7%
Average of last 10 years	7.4%	8.2%
Average of last 15 years	6.6%	6.3%



This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION III. MEMBERSHIP DATA

EXHIBIT 6a. ACTIVE EMPLOYEES (Old DB Plan)

	9/30/2020	9/30/2019
Reconciliation of Old DB Census		
Members reported in raw data	4,586	4,806
Number excluded due to:		
Reported as inactive	2,893	2,909
Reported as terminated	208	208
Zero earnings	35	22
Refund of contributions	0	0
Duplicate inactive records	0	0
Included as retirees or deceased	<u>30</u>	<u>31</u>
Total exclusions	3,166	3,170
Active employees (Old DB Plan) in valuation	1,420	1,636
Active Employees – Non-Uniformed		
Number vested	1,227	1,442
Number not vested	<u>14</u>	<u>18</u>
Total	1,241	1,460
Average age	56.1	55.6
Average service	28.1	27.5
Average earnings	\$ 62,901	\$ 62,565
Average accumulated contributions	\$ 193,304	\$ 188,034
Active Employees – Uniformed		
Number vested	179	176
Number not vested	<u>0</u>	<u>0</u>
Total	179	176
Average age	53.2	52.4
Average service	28.3	27.9
Average earnings	\$ 92,959	\$ 89,211
Average accumulated contributions	\$ 246,149	\$ 237,334
Active Employees – Total Old DB Plan		
Number vested	1,406	1,618
Number not vested	<u>14</u>	<u>18</u>
Total	1,420	1,636
Average age	55.8	55.3
Average service	28.1	27.6
Average earnings	\$ 66,690	\$ 65,432
Average accumulated contributions	\$ 199,966	\$ 193,338

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION III. MEMBERSHIP DATA

EXHIBIT 6b. ACTIVE EMPLOYEES (DB 1.75 Plan)

	9/30/2020	9/30/2019
Reconciliation of DB 1.75 Census		
Members reported in raw data	3,149	3,238
Number excluded due to:		
Reported as inactive	22	23
Reported as terminated	0	0
Zero earnings	99	0
Refund of contributions	0	0
Duplicate inactive records	0	0
Included as retirees or deceased	<u>8</u>	<u>1</u>
Total exclusions	129	24
Active employees in valuation	3,020	3,214
Active Employees – DB 1.75 Plan		
Number vested	2,567	2,484
Number not vested	<u>453</u>	<u>730</u>
Total	3,020	3,214
Average age	46.5	45.6
Average service	13.4	12.4
Average earnings	\$ 55,470	\$ 53,840
Average accumulated contributions	\$ 52,451	\$ 44,685
Active Employees – Total Old DB and DB 1.75		
Number vested	3,973	4,102
Number not vested	<u>467</u>	<u>748</u>
Total	4,440	4,850
Average age	49.4	48.9
Average service	18.1	17.5
Average earnings	\$ 59,059	\$ 57,750
Average accumulated contributions	\$ 99,629	\$ 94,829

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION III. MEMBERSHIP DATA

EXHIBIT 7. ACTIVE EMPLOYEES BY AGENCY

	9/30/20 DC	9/30/20 DB 1.75	9/30/20 Old DB	9/30/19 DC	9/30/19 DB 1.75	9/30/19 Old DB
Bureau of Budget & Management Research	4	11	1	3	12	4
Bureau of Statistics and Plans	21	9	6	23	8	9
Bureau of Women Affairs	0	1	0	0	0	0
Chief Medical Examiner	2	0	0	2	0	0
Customs & Quarantine	81	30	28	82	32	30
Dept of Administration ¹	66	50	27	50	56	28
Dept of Agriculture	50	13	14	39	15	19
Dept of Corrections	129	81	20	65	95	22
Dept of Labor ²	77	16	10	43	18	10
Dept of Land Management	15	4	17	27	6	21
Dept of Law	103	67	24	99	73	26
Dept of Mental Health & Substance Abuse	155	48	19	130	49	23
Dept of Military Affairs	27	12	6	27	15	5
Dept of Parks and Recreation	21	12	9	23	15	10
Dept of Public Health & Social Services	276	134	53	200	140	66
Dept of Public Works	253	70	62	187	75	67
Dept of Revenue and Taxation	88	53	20	89	57	29
Dept of Youth Affairs	38	25	14	34	26	14
D.I.S.I.D.	9	5	5	8	5	3
Governor's Office	116	7	5	113	9	5
Guam Energy Office	4	2	1	4	2	1
Guam Environmental Protection Agency	20	24	7	21	24	7
Guam Fire Dept	55	143	47	49	150	55
Guam Legislature	37	16	3	33	22	4
Guam Police Dept	178	129	52	167	131	58
Judiciary Of Guam	244	120	41	211	133	46
KGTF	3	1	2	3	1	3
Lt. Governor's Office	9	0	0	10	2	1
Mayor's Council	225	21	10	210	24	14
Office of Technology	4	3	7	0	1	7
Public Auditors	10	3	0	9	3	0
Public Defender	41	14	10	35	14	11
General Fund Total	2,361	1,124	520	1,996	1,213	598
Dept of Chamorro Affairs ³	35	5	7	24	3	9
Dept of Education	2,268	824	461	2,233	875	531
Government of Guam Retirement Fund	18	19	5	19	19	8
Guam Airport Authority	110	83	50	100	90	54
Guam Community College	116	88	33	114	96	38
Guam Economic Development Agency	18	8	4	17	10	5
Guam Housing & Urban Renewal Agency	47	41	14	41	44	16
Guam Housing Corporation	9	9	5	8	10	4
Guam Memorial Hospital Authority	813	222	69	718	231	93
Guam Power Authority	170	184	90	170	192	100
Guam Visitors Bureau	22	16	1	16	18	2
Guam Waterworks Authority	246	108	23	235	108	26
Port Authority Of Guam	168	138	50	165	142	50
University Of Guam	409	151	88	430	163	102
Others Total	4,449	1,896	900	4,290	2,001	1,038
GRAND TOTAL	6,810	3,020	1,420	6,286	3,214	1,636

¹ Department of Administration includes Civil Service Commission and Guam Election

² Department of Labor includes AHRD

³ Department of Chamorro Affairs' includes Guam CAHA, Guam Public Library, and Chamorro Land Trust

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION III. MEMBERSHIP DATA

EXHIBIT 8a. RETIRED EMPLOYEES (Old DB Plan)

	9/30/2020	9/30/2019
Service Retirees		
Count	5,274	5,237
Average age	70.7	70.4
Average benefit	\$37,735	\$36,801
Median benefit	\$33,931	\$33,081
Disabled Retirees		
Count	209	219
Average age	69.8	69.1
Average benefit	\$23,148	\$23,226
Median benefit	\$21,040	\$21,300
Survivors		
Count	1,679	1,682
Average age	73.0	72.7
Average benefit	\$18,145	\$17,788
Median benefit	\$15,930	\$15,515
Child Pensioners		
Count	113	153
Average age	14.8	15.3
Average benefit	\$2,880	\$2,880
Median benefit	\$2,880	\$2,880
Total Retirees and Survivors ¹		
Count	7,162	7,138
Average age	71.2	70.9
Average benefit	\$32,717	\$31,904
Median benefit	\$28,899	\$28,152

¹ Excludes child pensioners.

SECTION III. MEMBERSHIP DATA

EXHIBIT 8b. RETIRED EMPLOYEES (DB 1.75 Plan)

	9/30/2020	9/30/2019
Service Retirees		
Count	103	54
Average age	66.0	64.6
Average benefit	\$24,467	\$19,015
Median benefit	\$20,456	\$18,145
Disabled Retirees		
Count	1	1
Average age	55.4	54.4
Average benefit	*	*
Median benefit	*	*
Survivors		
Count	16	11
Average age	58.2	56.1
Average benefit	*	*
Median benefit	*	*
Child Pensioners		
Count	4	3
Average age	16.1	14.7
Average benefit	\$2,880	\$2,880
Median benefit	\$2,880	\$2,880
Total Retirees and Survivors ¹		
Count	120	66
Average age	64.9	63.1
Average benefit	\$22,560	\$17,580
Median benefit	\$18,963	\$16,448

* Not shown since less than 20 members.

¹ Excludes child pensioners.

SECTION III. MEMBERSHIP DATA**EXHIBIT 9. TERMINATED AND INACTIVE MEMBERS (DB)**

	9/30/2020	9/30/2019
Reported as Inactive		
Count	2,915	2,932
Accumulated contributions	\$ 7,571,144	\$ 7,785,341
Reported as Terminated		
Count	208	208
Accumulated contributions	\$ 560,507	\$ 542,116
Zero Earnings		
Count	134	22
Accumulated contributions	\$ 6,758,152	\$ 2,652,670
Refund of Contributions		
Count	0	0
Accumulated contributions	\$ 0	\$ 0
Total Terminateds and Inactives		
Count	3,257	3,162
Accumulated contributions	\$ 14,889,803	\$ 10,980,127
<hr/>		
Assumed to Withdraw Contributions		
Count	3,143	3,047
Accumulated contributions (Old DB)	\$ 5,993,185	\$ 2,964,583
Accumulated contributions (DB 1.75)	<u>119,407</u>	<u>0</u>
Accumulated contributions (Total DB)	\$ 6,112,592	\$ 2,964,583
Not Assumed to Withdraw Contributions		
Count	114	115
Average age	58.4	57.4
Average benefit	\$ 14,901	\$ 13,966
Accumulated contributions	\$ 8,777,211	\$ 8,015,544

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION III. MEMBERSHIP DATA

EXHIBIT 10a. RECONCILIATION OF MEMBERSHIP DATA (Old DB Plan)

	Act	Assumed to Withdraw Contributions			Refund	No Withd Inact	Ret	Surv	Disab	Child	Total
		Inact	Term	Zero							
9/30/2019	1,636	2,807	208	9	0	115	5,237	1,682	219	153	12,066
Additions from:											
Actives				3		7	205	2	1		218
Inactives	4			3							7
Terminations											
Zero earnings	1										1
Refunds											
Inactives no w/d				4			2				6
Retiree	1							61			62
Survivor											
Disability											
Child											
Other adds ¹							3	29		5	37
Subtotal	6	0	0	10	0	7	210	92	1	5	331
Subtractions due to:											
Actives		-4		-1			-1				-6
Inactives											
Terminations											
Zero earnings	-3	-3				-4					-10
Refunds											
Inactives no w/d	-7										-7
Retiree	-205					-2					-207
Survivor	-2						-61				-63
Disability	-1										-1
Child											
Other drops ²	-4	-4				-2	-111	-95	-11	-45	-272
Subtotal	-222	-11	0	-1	0	-8	-173	-95	-11	-45	-566
9/30/2020	1,420	2,796	208	18	0	114	5,274	1,679	209	113	11,831

¹ Other additions indicate members or beneficiaries who were reported this year but who were not included in the prior year's valuation (e.g. a new beneficiary, etc.).

² Other drops indicate members or beneficiaries who were in the prior year's valuation but who were not reported in this year's census data (e.g. members who received a complete refund, retirees or beneficiaries who are now deceased, children who have reached the maximum age, etc.).

SECTION III. MEMBERSHIP DATA

EXHIBIT 10b. RECONCILIATION OF MEMBERSHIP DATA (DB 1.75 Plan)

	Act	Assumed to Withdraw Contributions				No With'd	Ret	Surv	Disab	Child	Total
		Inact	Term	Zero	Refund						
9/30/2019	3,214	23	0	0	0	0	54	11	1	3	3,306
Additions from:											
Actives				99			51	4			154
Inactives	2										2
Terminations											
Zero earnings											
Refunds											
Inactives no w/d											
Retiree								1			1
Survivor											
Disability											
Child											
Other adds ¹	2	1								2	5
Subtotal	4	1	0	99	0	0	51	5	0	2	162
Subtractions due to:											
Actives		-2									-2
Inactives											
Terminations											
Zero earnings	-99										-99
Refunds											
Inactives no w/d											
Retiree	-51										-51
Survivor	-4						-1				-5
Disability											
Child											
Other drops ²	-44						-1			-1	-46
Subtotal	-198	-2	0	0	0	0	-2	0	0	-1	-203
9/30/2020	3,020	22	0	99	0	0	103	16	1	4	3,265

¹ Other additions indicate members or beneficiaries who were reported this year but who were not included in the prior year's valuation (e.g. a new beneficiary, etc.).
² Other drops indicate members or beneficiaries who were in the prior year's valuation but who were not reported in this year's census data (e.g. members who received a complete refund, retirees or beneficiaries who are now deceased, children who have reached the maximum age, etc.).

SECTION IV. VALUATION EXHIBITS

EXHIBIT 11a. ACTUARIAL ACCRUED LIABILITY (Old DB Plan)

The actuarial accrued liability has been calculated using the Entry Age Normal actuarial cost method, and is equal to the present value of benefits for all Old DB Plan members less the present value of future normal costs for active Old DB Plan employees.

	Old DB Plan 9/30/2020	Old DB Plan 9/30/2019
Present Value of Benefits		
Active employees –		
Retirement	\$ 663,772,135	\$ 736,859,928
Disability	8,538,355	9,585,227
Death	11,559,073	12,494,410
Withdrawal	<u>13,787,875</u>	<u>17,561,692</u>
Total active PVB	697,657,438	776,501,257
Retirees and Survivors		
Retirees	1,900,702,846	1,855,355,160
Disabled retirees	39,265,370	41,853,141
Survivors	<u>259,237,430</u>	<u>257,202,777</u>
Total retirees and survivors	2,199,205,646	2,154,411,078
Terminated and inactive members		
Assumed to retire	15,511,311	14,538,736
Assumed to elect return of contributions	<u>5,993,185</u>	<u>2,964,583</u>
Total terminated and inactive members	21,504,496	17,503,319
Total PVB	\$ 2,918,367,580	\$ 2,948,415,654
Present Value of Future Normal Cost		
Active employees –		
Retirement	\$ 41,254,914	\$ 48,726,523
Disability	2,462,543	2,726,733
Death	2,067,561	2,331,284
Withdrawal	<u>9,316,576</u>	<u>10,690,670</u>
Total active PVFNC	\$ 55,101,594	\$ 64,475,210
Actuarial Accrued Liability		
Active members	\$ 642,555,844	\$ 712,026,047
Retirees and survivors	2,199,205,646	2,154,411,078
Terminations and inactives	<u>21,504,496</u>	<u>17,503,319</u>
Total accrued liability	\$ 2,863,265,986	\$ 2,883,940,444

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 11b. ACTUARIAL ACCRUED LIABILITY (DB 1.75 Plan)

The actuarial accrued liability has been calculated using the Entry Age Normal actuarial cost method, and is equal to the present value of benefits for all DB 1.75 Plan members less the present value of future normal costs for active DB 1.75 Plan employees.

	DB 1.75 Plan 9/30/2020	DB 1.75 Plan 9/30/2019
Present Value of Benefits		
Active employees –		
Retirement	\$ 381,138,167	\$ 373,922,662
Disability	18,953,769	19,165,873
Death	18,112,995	18,189,496
Withdrawal	<u>76,480,128</u>	<u>78,957,587</u>
Total active PVB	494,685,059	490,235,618
Retirees and Survivors		
Retirees	26,629,622	10,757,705
Disabled retirees	521,273	526,168
Survivors	<u>2,016,468</u>	<u>1,355,314</u>
Total retirees and survivors	29,167,363	12,639,187
Terminated and inactive members		
Assumed to retire	0	0
Assumed to elect return of contributions	<u>119,407</u>	<u>0</u>
Total terminated and inactive members	119,407	0
Total PVB	\$ 523,971,829	\$ 502,874,805
Present Value of Future Normal Cost		
Active employees –		
Retirement	\$ 87,523,338	\$ 91,694,057
Disability	7,876,028	8,161,267
Death	6,888,759	7,184,527
Withdrawal	<u>56,841,432</u>	<u>58,465,721</u>
Total active PVFNC	\$ 159,129,557	\$ 165,505,572
Actuarial Accrued Liability		
Active members	\$ 335,555,502	\$ 324,730,046
Retirees and survivors	29,167,363	12,639,187
Terminations and inactives	<u>119,407</u>	<u>0</u>
Total accrued liability	\$ 364,842,272	\$ 337,369,233

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 12. CALCULATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

The unfunded actuarial accrued liability is used to determine the funding requirements. The unfunded actuarial accrued liability equals the actuarial accrued liability less the valuation assets.

	9/30/2020	9/30/2019
OLD DB PLAN		
Actuarial Accrued Liability		
Active members	\$ 642,555,844	\$ 712,026,047
Retirees and survivors	2,199,205,646	2,154,411,078
Terminations and inactives	<u>21,504,496</u>	<u>17,503,319</u>
Total accrued liability	\$ 2,863,265,986	\$ 2,883,940,444
DB 1.75 PLAN		
Actuarial Accrued Liability		
Active members	\$ 335,555,502	\$ 324,730,046
Retirees and survivors	29,167,363	12,639,187
Terminations and inactives	<u>119,407</u>	<u>0</u>
Total accrued liability	\$ 364,842,272	\$ 337,369,233
TOTAL (Old DB Plan plus DB 1.75 Plan)		
Actuarial Accrued Liability		
Active members	\$ 978,111,346	\$ 1,036,756,093
Retirees and survivors	2,228,373,009	2,167,050,265
Terminations and inactives	<u>21,623,903</u>	<u>17,503,319</u>
Total accrued liability	\$ 3,228,108,258	\$ 3,221,309,677
Actuarial Value of Assets	<u>2,053,867,391</u>	<u>2,065,952,121</u>
Unfunded Actuarial Accrued Liability	\$ 1,174,240,867	\$ 1,155,357,556
Security Ratio = (Assets/AAL)	63.62%	64.13%

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 13. CALCULATION OF ACTUARIAL GAIN/LOSS

	Year Ending 9/30/2020	Year Ending 9/30/2019
Unfunded Actuarial Accrued Liability, beginning of year	\$ 1,155,357,556	\$ 1,175,193,484
Additions:		
Employer normal cost	11,012,198	12,085,589
Interest to end of year	<u>81,645,883</u>	<u>83,109,535</u>
Total additions	92,658,081	95,195,124
Deductions:		
Employer contributions for year	118,981,678	121,556,556
Interest on contributions	<u>4,093,927</u>	<u>4,182,523</u>
Total deductions	123,075,605	125,739,079
Other Changes:		
Plan amendments	0	0
Changes in assumptions and methods	<u>0</u>	<u>0</u>
Net other changes	0	0
Expected UAAL, end of year	\$ 1,124,940,032	\$ 1,144,649,529
Actual UAAL, end of year	<u>1,174,240,867</u>	<u>1,155,357,556</u>
Actuarial Gain/(Loss)	\$ (49,300,835)	\$ (10,708,027)
Components of Actuarial Gain/(Loss):		
Investment gain/(loss) on actuarial value of assets	\$ (58,775,273)	\$ (8,189,066)
Other gains/(losses)	<u>9,474,438</u>	<u>(2,518,961)</u>
Total actuarial gain/(loss)	\$ (49,300,835)	\$ (10,708,027)

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 14. NORMAL COST

The normal cost has been calculated using the Entry Age Normal actuarial cost method.

	9/30/2020		9/30/2019	
OLD DB Plan				
Expected payroll for next fiscal year	\$ 89,441,836		\$ 101,792,930	
Normal cost ¹		<i>% of Old DB Payroll</i>		<i>% of Old DB Payroll</i>
Retirement	\$ 8,903,591	9.95%	\$ 9,981,532	9.81%
Disability	522,201	0.58%	548,475	0.54%
Withdrawal	1,966,305	2.20%	2,146,310	2.11%
Death	<u>441,716</u>	<u>0.49%</u>	<u>473,965</u>	<u>0.47%</u>
Total active normal cost	\$ 11,833,813	13.23%	\$ 13,150,282	12.92%
Assumed DB administrative expenses	<u>4,507,300</u>	<u>5.04%</u>	<u>4,582,900</u>	<u>4.50%</u>
Total normal cost and expenses	\$ 16,341,113	18.27%	\$ 17,733,182	17.42%
Expected member contributions	<u>(8,547,443)</u>	<u>(9.56%)</u>	<u>(9,712,829)</u>	<u>(9.54%)</u>
Government portion of normal cost	\$ 7,793,670	8.71%	\$ 8,020,353	7.88%
DB 1.75 Plan				
Expected payroll for next fiscal year	\$ 164,538,573		\$ 170,156,412	
Normal cost ¹		<i>% of DB 1.75 Payroll</i>		<i>% of DB 1.75 Payroll</i>
Retirement	\$ 10,097,046	6.14%	\$ 10,494,169	6.17%
Disability	879,250	0.53%	901,251	0.53%
Withdrawal	6,280,653	3.82%	6,422,966	3.77%
Death	<u>787,128</u>	<u>0.48%</u>	<u>816,476</u>	<u>0.48%</u>
Total active normal cost	\$ 18,044,077	10.97%	\$ 18,634,862	10.95%
Assumed DB administrative expenses	<u>872,193</u>	<u>0.53%</u>	<u>900,750</u>	<u>0.53%</u>
Total normal cost and expenses	\$ 18,916,270	11.50%	\$ 19,535,612	11.48%
Expected member contributions	<u>(15,631,164)</u>	<u>(9.50%)</u>	<u>(16,164,859)</u>	<u>(9.50%)</u>
Government portion of normal cost	\$ 3,285,106	2.00%	\$ 3,370,753	1.98%
TOTAL DB Plans				
Expected payroll for next fiscal year	\$ 253,980,409		\$ 271,949,342	
Total active normal cost ¹	\$ 29,877,890	<i>% of DB Payroll</i>	\$ 31,785,144	<i>% of DB Payroll</i>
Assumed DB administrative expenses	<u>5,379,493</u>	<u>2.12%</u>	<u>5,483,650</u>	<u>2.02%</u>
Total normal cost and expenses	\$ 35,257,383	13.88%	\$ 37,268,794	13.70%
Expected member contributions	<u>(24,178,607)</u>	<u>(9.52%)</u>	<u>(25,877,688)</u>	<u>(9.52%)</u>
Government portion of normal cost	\$ 11,078,776	4.36%	\$ 11,391,106	4.19%

¹ Includes interest to mid-year.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 15. AMORTIZATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

Pursuant to GCA Section 8137, as modified by P.L. 33-186, the unfunded liabilities of the Government of Guam Retirement Fund are to be completely funded within 82 years from May 1, 1951. As of September 30, 2020, there are 12.58 years remaining in the funding period. The amortization of the unfunded actuarial accrued liability is calculated as a constant percentage of total payroll, which is assumed to grow at 2.75% per year.

	9/30/2020	9/30/2019
Total payroll (DB and DC) for fiscal year following	\$ 533,786,671	\$ 523,052,282
Unfunded actuarial accrued liability	1,174,240,867	1,155,357,556
Remaining funding period	12.58 years	13.58 years
Annual amortization	\$ 120,786,771	\$ 112,146,686
As % of total payroll (DB and DC)	22.63%	21.44%

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 16. ACTUARIALLY DETERMINED CONTRIBUTION

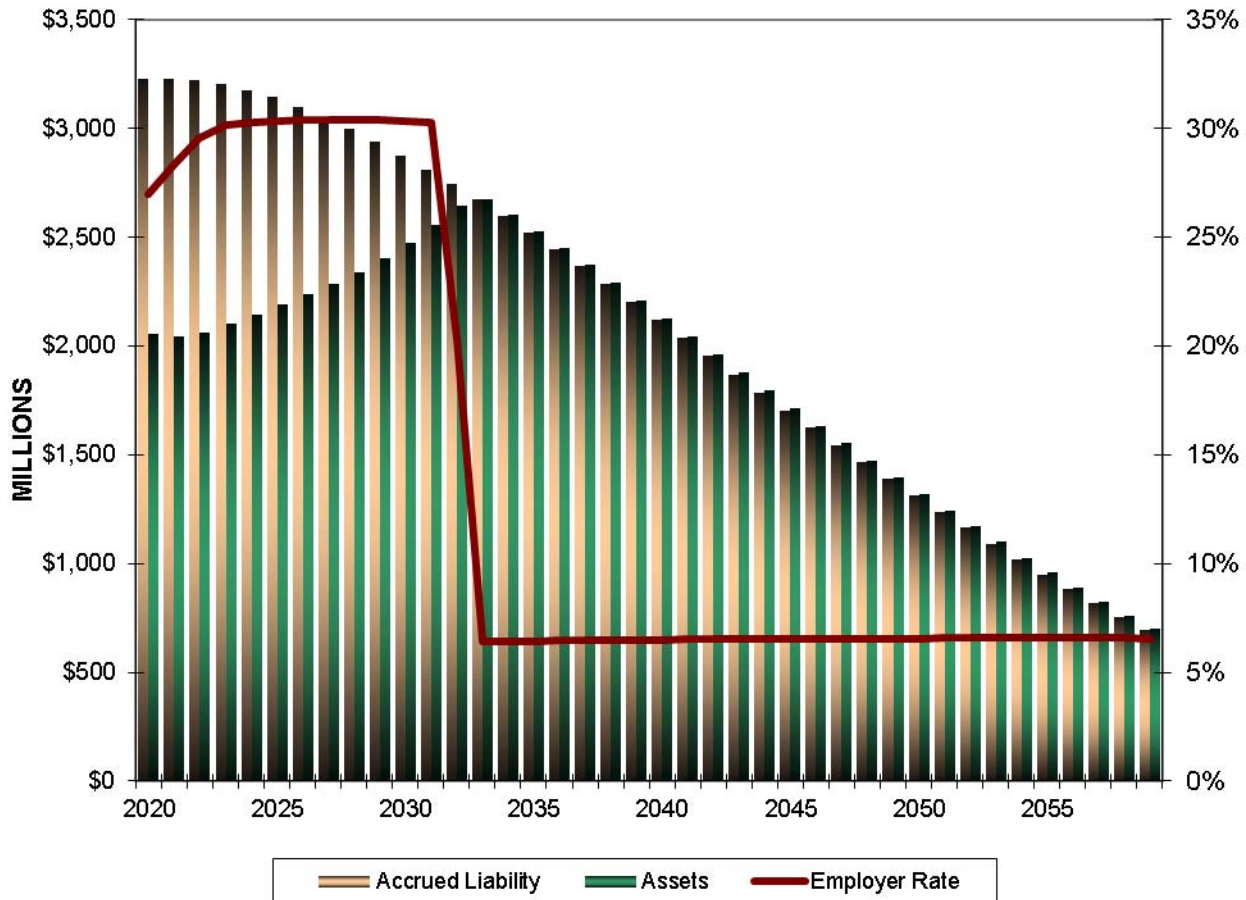
The Actuarially Determined Contribution (ADC) is equal to the sum of (1) the government normal costs for the defined benefit plans (Old DB and DB 1.75), (2) the amortization payment towards the unfunded actuarial accrued liability of the defined benefit plans (Old DB and DB 1.75), and (3) the expected government contributions to the defined contribution (DC) plan. The required contribution is then divided by the sum of the DB and DC payroll to determine the contribution rate as a percentage of payroll.

	9/30/2020	9/30/2019
Expected payroll for next fiscal year		
Old defined benefit (Old DB)	\$ 89,441,836	\$ 101,792,930
Defined Benefit 1.75 (DB 1.75)	164,538,573	170,156,412
Defined contribution (DC)	<u>279,806,262</u>	<u>251,102,940</u>
Total payroll (DB and DC)	\$ 533,786,671	\$ 523,052,282
Government normal cost including expenses (DB)	\$ 11,078,776	\$ 11,391,106
As % of DB payroll	4.36%	4.19%
As % of total payroll (DB and DC)	2.08%	2.18%
Amortization of UAAL (DB)	\$ 120,786,771	\$ 112,146,686
As % of total payroll (DB and DC)	22.63%	21.44%
Government DC contributions	\$ 19,279,688	\$ 17,532,482
As % of DC payroll	6.89%	6.98%
As % of total payroll (DB and DC)	3.61%	3.35%
Total DB and DC contributions	\$ 151,145,235	\$ 141,070,274
% of total payroll (DB and DC)	28.32%	26.97%

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 17. PROJECTION OF CONTRIBUTION RATE¹



¹ The contribution rate is the combined employer rate for the DB and DC plans.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 17. PROJECTION OF CONTRIBUTION RATE (values)

Year Ending	PAYROLL ¹		CONTRIB RATE		CONTRIBUTIONS			Invest Gain ³	Benefits/ Expenses	DB Fund Actuarial
	DB	DC	DB	DC ²	DB	DC ²	EE			
2020										\$2,053.87
2021	\$ 253.98	\$ 279.81	26.97%	20.08%	\$68.50	\$56.18	\$24.18	\$134.56	\$(249.68)	2,041.41
2022	238.48	309.99	28.32%	21.49%	67.53	66.62	22.66	136.95	(255.92)	2,060.56
2023	223.49	340.06	29.55%	22.78%	66.03	77.46	21.23	139.62	(262.25)	2,102.65
2024	208.58	370.47	30.17%	23.45%	62.93	86.87	19.82	142.49	(268.43)	2,146.31
2025	194.93	400.04	30.30%	23.62%	59.07	94.49	18.52	145.43	(273.54)	2,190.28
2026	182.56	428.78	30.36%	23.71%	55.43	101.67	17.34	148.44	(277.30)	2,235.87
2027	171.70	456.44	30.40%	23.77%	52.19	108.52	16.31	151.64	(279.50)	2,285.03
2028	162.46	482.96	30.42%	23.82%	49.41	115.02	15.43	155.15	(280.22)	2,339.83
2029	154.24	508.93	30.41%	23.83%	46.91	121.30	14.65	159.10	(279.86)	2,401.93
2030	146.61	534.80	30.39%	23.83%	44.56	127.46	13.93	163.60	(278.61)	2,472.88
2031	139.47	560.68	30.35%	23.81%	42.33	133.49	13.25	168.75	(276.80)	2,553.90
2032	132.84	586.56	30.28%	23.75%	40.22	139.29	12.62	174.62	(274.36)	2,646.29
2033	126.59	612.59	20.30%	13.79%	25.70	84.47	12.03	178.81	(271.17)	2,676.13
2034	119.70	639.81	6.41%	-0.09%	7.67	(0.58)	11.37	177.45	(268.12)	2,603.91
2035	112.66	667.73	6.42%	-0.07%	7.24	(0.44)	10.70	172.50	(264.66)	2,529.25
2036	106.09	695.76	6.44%	-0.04%	6.83	(0.27)	10.08	167.39	(260.93)	2,452.35
2037	99.64	724.26	6.45%	-0.01%	6.43	(0.11)	9.47	162.14	(256.79)	2,373.49
2038	93.24	753.32	6.46%	0.01%	6.03	0.06	8.86	156.76	(252.39)	2,292.81
2039	86.93	782.91	6.48%	0.03%	5.63	0.25	8.26	151.28	(247.45)	2,210.77
2040	80.99	812.77	6.49%	0.05%	5.26	0.43	7.69	145.72	(242.01)	2,127.87
2041	75.34	843.01	6.50%	0.07%	4.90	0.62	7.16	140.12	(236.18)	2,044.48
2042	70.04	873.56	6.51%	0.09%	4.56	0.80	6.65	134.51	(229.93)	1,961.08
2043	64.91	904.63	6.52%	0.11%	4.23	0.98	6.17	128.90	(223.54)	1,877.82
2044	59.98	936.23	6.53%	0.12%	3.92	1.15	5.70	123.32	(216.80)	1,795.10
2045	55.19	968.42	6.54%	0.14%	3.61	1.33	5.24	117.77	(209.99)	1,713.07
2046	50.70	1,001.05	6.54%	0.15%	3.32	1.51	4.82	112.29	(202.97)	1,632.04
2047	46.52	1,034.16	6.55%	0.16%	3.05	1.68	4.42	106.89	(195.71)	1,552.37
2048	42.17	1,068.22	6.55%	0.17%	2.76	1.85	4.01	101.56	(188.77)	1,473.78
2049	37.99	1,102.94	6.56%	0.18%	2.49	2.02	3.61	96.32	(181.73)	1,396.49
2050	34.02	1,138.29	6.56%	0.19%	2.23	2.20	3.23	91.17	(174.78)	1,320.53
2051	29.98	1,174.57	6.57%	0.20%	1.97	2.37	2.85	86.10	(168.08)	1,245.73
2052	25.87	1,211.80	6.57%	0.21%	1.70	2.54	2.46	81.10	(161.54)	1,172.00
2053	21.64	1,250.06	6.57%	0.22%	1.42	2.73	2.06	76.17	(155.24)	1,099.14
2054	17.66	1,289.02	6.58%	0.23%	1.16	2.92	1.68	71.31	(148.77)	1,027.43
2055	14.22	1,328.39	6.58%	0.23%	0.94	3.10	1.35	66.54	(142.06)	957.31
2056	11.40	1,368.13	6.58%	0.24%	0.75	3.27	1.08	61.90	(135.01)	889.30
2057	9.12	1,408.35	6.58%	0.24%	0.60	3.40	0.87	57.41	(127.85)	823.73
2058	7.24	1,449.21	6.58%	0.24%	0.48	3.52	0.69	53.10	(120.67)	760.85
2059	5.77	1,490.73	6.57%	0.24%	0.38	3.62	0.55	48.98	(113.47)	700.90

¹ Payroll is assumed to increase 2.75% per year.

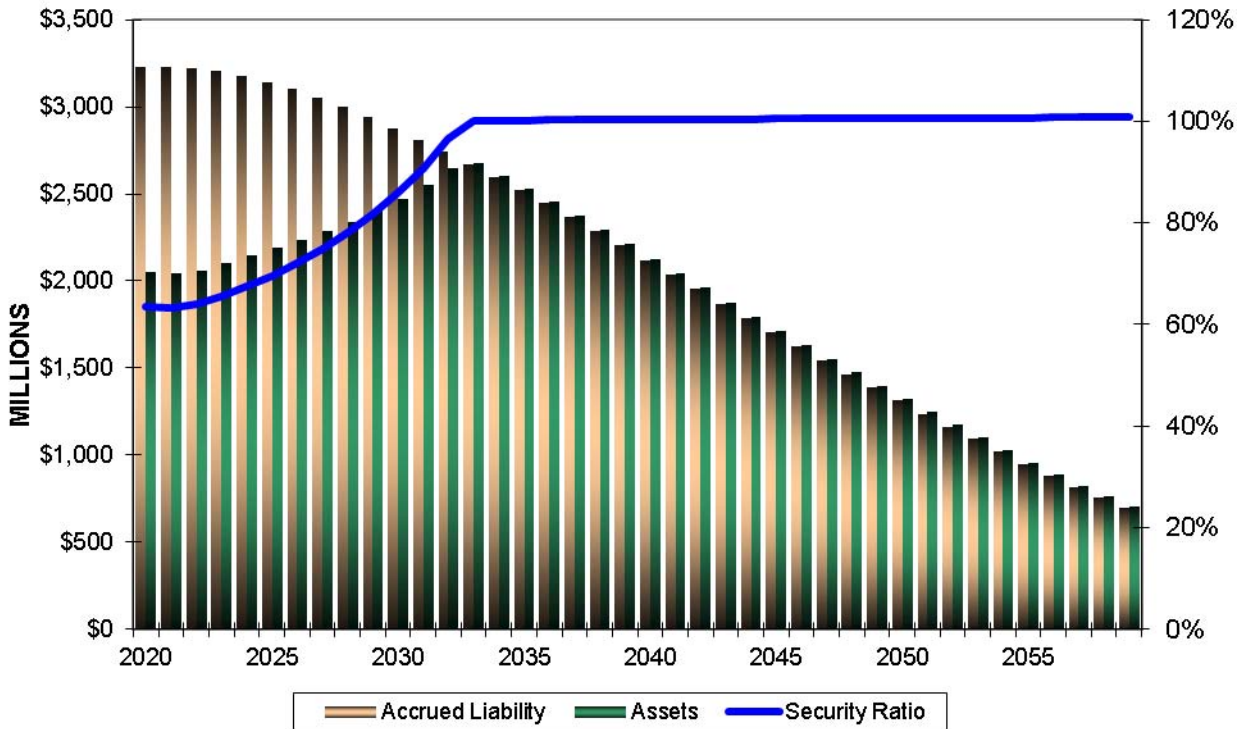
² DC rate and contributions are those for payment towards UAAL and plan expenses only.

³ Investment earnings are assumed to be 7.0% per year on the market value of assets.

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 18. PROJECTION OF SECURITY RATIO



This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION IV. VALUATION EXHIBITS

EXHIBIT 18. PROJECTION OF SECURITY RATIO (values)

\$'s in millions						
EMPLOYER CONTRIBUTIONS						
Year Ending	Payroll ¹	DB Rate	Contribs DB Plan	DB Fund AVA ²	Accrued Liability	Security Ratio
2020				\$ 2,053.87	\$ 3,228.11	63.62%
2021	\$ 533.79	26.97%	\$124.68	2,041.41	3,228.39	63.23%
2022	548.47	28.32%	134.15	2,060.56	3,220.42	63.98%
2023	563.55	29.55%	143.49	2,102.65	3,203.61	65.63%
2024	579.05	30.17%	149.79	2,146.31	3,177.53	67.55%
2025	594.97	30.30%	153.56	2,190.28	3,142.79	69.69%
2026	611.33	30.36%	157.10	2,235.87	3,100.31	72.12%
2027	628.14	30.40%	160.71	2,285.03	3,051.34	74.89%
2028	645.42	30.42%	164.43	2,339.83	2,997.16	78.07%
2029	663.17	30.41%	168.21	2,401.93	2,938.61	81.74%
2030	681.40	30.39%	172.02	2,472.88	2,876.41	85.97%
2031	700.14	30.35%	175.82	2,553.90	2,810.92	90.86%
2032	719.40	30.28%	179.51	2,646.29	2,742.62	96.49%
2033	739.18	20.30%	110.18	2,676.13	2,672.14	100.15%
2034	759.51	6.41%	7.09	2,603.91	2,599.11	100.19%
2035	780.39	6.42%	6.80	2,529.25	2,523.74	100.22%
2036	801.85	6.44%	6.56	2,452.35	2,446.23	100.25%
2037	823.90	6.45%	6.32	2,373.49	2,366.84	100.28%
2038	846.56	6.46%	6.09	2,292.81	2,285.73	100.31%
2039	869.84	6.48%	5.88	2,210.77	2,203.35	100.34%
2040	893.76	6.49%	5.69	2,127.87	2,120.16	100.36%
2041	918.34	6.50%	5.52	2,044.48	2,036.55	100.39%
2042	943.60	6.51%	5.36	1,961.08	1,952.97	100.42%
2043	969.55	6.52%	5.21	1,877.82	1,869.59	100.44%
2044	996.21	6.53%	5.07	1,795.10	1,786.80	100.46%
2045	1,023.60	6.54%	4.94	1,713.07	1,704.74	100.49%
2046	1,051.75	6.54%	4.83	1,632.04	1,623.72	100.51%
2047	1,080.68	6.55%	4.73	1,552.37	1,544.08	100.54%
2048	1,110.39	6.55%	4.61	1,473.78	1,465.56	100.56%
2049	1,140.93	6.56%	4.51	1,396.49	1,388.38	100.58%
2050	1,172.31	6.56%	4.43	1,320.53	1,312.56	100.61%
2051	1,204.54	6.57%	4.33	1,245.73	1,237.92	100.63%
2052	1,237.67	6.57%	4.24	1,172.00	1,164.38	100.65%
2053	1,271.70	6.57%	4.15	1,099.14	1,091.75	100.68%
2054	1,306.68	6.58%	4.08	1,027.43	1,020.29	100.70%
2055	1,342.61	6.58%	4.04	957.31	950.41	100.73%
2056	1,379.53	6.58%	4.02	889.30	882.63	100.76%
2057	1,417.47	6.58%	4.00	823.73	817.28	100.79%
2058	1,456.45	6.58%	4.00	760.85	754.61	100.83%
2059	1,496.50	6.57%	4.00	700.90	694.86	100.87%

¹ Payroll is assumed to increase 2.75% per year.

² Actuarial Value of Assets. Investment earnings are assumed to be 7.0% per year on the market value of assets.

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

APPENDIX A. SUMMARY OF PLAN PROVISIONS

The following description is only a brief summary of the more important provisions of the retirement plan. Actual plan provisions are contained in Chapter 8 of the Guam Code, as modified by Public Law 33-186.

Membership Conditions and Exclusions (Old DB Plan): All employees of the Government of Guam hired on or before September 30, 1995 are required to participate as a condition of employment, except:

- a) Persons who are compensated on a fee basis;
- b) Independent contractors;
- c) Persons employed for a specific project;
- d) Persons employed in the Senior Citizens' Community Employment Program; and
- e) Persons with less than 20 years of service prior to September 30, 1995 who elect to transfer to the Government of Guam Defined Contribution Fund. Participants have an annual opportunity to transfer.

Membership is optional for:

- a) Temporary, seasonal, intermittent and part-time employees;
- b) Persons employed for a specific period of time and not domiciled in Guam; and
- c) Employees of a public corporation of the Government of Guam.

Membership is also applicable to members of the Legislature with special provisions for:

- a) The determination of average annual salary for pension computation purposes; and
- b) Contributions.

Membership Conditions and Exclusions (DB 1.75 Plan): All employees of the Government of Guam who were in the Defined Contribution Plan and were still employed had the option to transfer to the Defined Benefit 1.75 Plan effective January 1, 2018. Employees hired on or after January 1, 2018 are not eligible for the Old DB or DB 1.75 plans.

Pension Credits: Employees are entitled to pension credit for:

- a) Service rendered to the Government prior to May 1, 1951 when the Fund began operations.
- b) Service on or after May 1, 1951 for which contributions are required to be made by the employees.
- c) Casual or part-time employment under prescribed conditions for which contributions must be made.
- d) Unused and accumulated sick and annual (vacation) leaves with 12 days of service counted as a full month; 6 to 11 days, ½ month; and less than 6 days disregarded.
- e) For employees hired before June 1, 1989, pension credit is granted up to a maximum of 5 years for Federal service, provided the employee terminates membership in the Federal Civil Service Retirement Fund and makes a contribution to the Government of Guam Retirement Fund equal to the amount contributed by the member and his employer during the period which is equal in length to the period for which service credit is requested, and which ends on the member's

SECTION V. APPENDICES

termination date of such employment with interest from the date of such termination to the date of payment.

- f) For employees hired before June 1, 1989, educational leave time or periods of termination for educational training purposes, if contributions are made to the Fund with interest. Members who first joined the fund prior to January 31, 1987, may receive credit for up to the normal period of time required to complete degree without having been employed by the government prior to the period during which the degree was earned.
- g) Military service prior to May 1, 1951, if not considered for any Federal Government Pension other than for disability. If entry into military service occurred after May 1, 1951, total pension credit is limited to 5 years in the aggregate, provided the employee was in the service of the Government of Guam at date of entry into military service and returned to the Government of Guam service within one year following discharge from military service under conditions other than dishonorable, or within 6 months after completion of education under the various education benefits programs for veterans; otherwise the total credit is limited to three years.

Schedule for Computing Service: The following schedule shall govern the computation of pension credit: 12 days or more during any month constitutes a month of service; 6 to 11 days, $\frac{1}{2}$ month; less than 6 days is disregarded. Nine months or more during any year constitutes a year of service.

Vesting of Pension Credit: Vesting occurs after at least 5 years of service.

Upon separation from service, an employee may optionally leave the contribution credits in the Fund and qualify for a deferred retirement annuity, based upon the total pension credit. If the pension credit is 25 years or more, no refund of contributions is payable and the employee must accept a deferred retirement annuity.

Conditions for Service Retirement: With respect to any employee who originally became a member of the Fund prior to October 1, 1981:

- a) Such member may retire on a service retirement annuity at age 60 or over, or at age 55 in the case of a member of the uniformed personnel after at least 10 years of service. Upon retirement, a member of the uniformed personnel shall be considered one grade above that held at date of retirement.
- b) A member with at least 25 years of service may retire at any age on an unreduced retirement annuity.
- c) Any retired employee with at least 25 years of credit service shall be entitled to the full retirement annuity on and after September 30, 1981.
- d) Any member, active or inactive, may retire after 20 years of service, regardless of age. In such case, the retirement annuity shall be reduced $\frac{1}{4}$ of 1% for each month that the age of the member is less than 60 years (3% per year).

With respect to an employee who became a member of the Fund on or after October 1, 1981, and prior to August 22, 1984, the following provisions shall govern:

- a) Such member may retire on a service retirement annuity at age 60 or over, or at age 55 if a member of the uniformed personnel after at least 15 years of service and upon retirement shall be considered one rank grade above that held at such date.
- b) A member with at least 30 years of service shall be eligible for service retirement, regardless of age, without reduction for early retirement.

SECTION V. APPENDICES

- c) Any member, whether in an active or inactive status, may retire after 25 years of service, at any age, on an annuity reduced $\frac{1}{4}$ of 1% per month (3% per year) for each month member's age is less than 60.

With respect to any employee becoming a member of the Fund on or after August 22, 1984, and a member of the Old DB Plan:

- a) Such member may retire on a service retirement annuity at age 65 or over, or at age 60 in the case of a member of the uniformed personnel after at least 15 years of service. Upon retirement, a member of the uniformed personnel shall be considered one grade above that held at date of retirement.
- b) A member with at least 30 years of service may retire at any age on an unreduced retirement annuity.
- c) Any member, active or inactive, may retire after 25 years of service, regardless of age. In such case, the retirement annuity shall be reduced $\frac{1}{4}$ of 1% for each month that the age of the member is less than 65 years (3% per year).

With respect to any employee in the DB 1.75 Plan:

- a) Such member may retire on a service retirement annuity at age 62 or over.
- b) Any member, active or inactive, may retire after the attainment of age 55 with 25 years of service. In such case, the retirement annuity shall be reduced $\frac{1}{2}$ of 1% for each month that the age of the member is less than 62 years (6% per year).

Amount of Service Retirement Annuity (Old DB Plan): A basic annuity of 2.00% of "average annual salary" for each of the first 10 years of credited service; and 2.5% of "average annual salary" for each full year of pension credit above 10 years, plus twenty dollars (\$20.00) multiplied by years of credited service reduced by an amount equal to one hundredth of one percent (.01%) of said amount for each one dollar (\$1.00) that a member's average annual salary exceeds the amount of six thousand dollars (\$6,000).

The minimum amount of service retirement annuity payable by the Fund is \$1,200 per year. The maximum retirement annuity is 85% of "average annual salary."

Amount of Service Retirement Annuity (DB 1.75): A basic annuity of 1.75% of "average annual salary" for each year of credited service. The minimum amount of service retirement annuity payable by the Fund is \$1,200 per year. The maximum retirement annuity is 85% of "average annual salary."

Average Annual Salary: Average of three highest annual salaries received by a member during the entire period of pension credit. A minimum of \$6,000 applies to Old DB Plan members.

The annual salary of the member shall include the basic rate of salary on which contributions were made by the member and any salary on which the member made contributions as required under GCA, Section 8136(a). Effective October 1, 1986, salary can include payment for unused annual leave upon retirement for Old DB Plan members.

In case of members of the Legislature, the average annual salary is the salary of the Director of Administration at the member's date of retirement, or the average of the three highest annual salaries received by the member during the period of membership credit, whichever is greater.

SECTION V. APPENDICES

Automatic Increase in Annuity: Effective July 1, 1984, any member retiring from service and entitled to benefits after September 1, 1972, is to receive each year, on the anniversary date of retirement, an increment of \$600 if the annual annuity is \$3,500 or less; \$400 if the annuity is between \$3,500 and \$6,300 per year; \$300 if the annuity is between \$6,300 and \$10,100; and \$200 if the annuity exceeds \$10,100 per year.

Disability Retirement: Upon total and permanent disability due to physical or mental causes, an employee under age 65 is entitled to a disability retirement annuity. For employees hired prior to August 22, 1984, the amount of the disability retirement annuity will be 66-2/3% of the employee's salary in effect on the date of disability. Subsequent employees will have an annuity amount based on 66-2/3% (50% for DB 1.75 Plan members) of the average of the highest three years of salary. If the disability was not due to occupational causes, the employee must have Government of Guam service credit of at least six years, or five years in the case of terminal illness, in order to qualify, except that new members since May 28, 1985, may not retire if a disability arises from impairment or conditions existing prior to employment.

A disability retirement annuitant must submit to a medical examination at least once a year during the first five years of disability, and at least once every three years thereafter, by a physician or physicians designated by the Board in order to establish continuing disability and entitlement to benefits. Should a disability annuitant resume gainful employment in a position other than the particular job in which he was engaged when declared disabled, the disability retirement benefit shall continue as initially determined.

A member receiving disability retirement benefits since December 1, 1972, is entitled to receive on the anniversary date of retirement, an annual increase of \$300 if the benefit is \$3,000 per year or less; \$250 per year where the annuity is between \$3,000 and \$6,000 per year; \$200 per year where the annuity is between \$6,000 and \$10,000 per year; and \$100 if the annuity exceeds \$10,000 per year.

Re-entry Into Service: A member on retirement who re-enters services as an employee eligible for membership shall have the annuity suspended during the period of employment without losing rights to automatic increases in the retirement annuity during the period of re-employment. This provision does not apply to Department of Education employees who occupy positions dealing with the Chamorro Language and Culture Program in Guam schools, persons employed as classroom teachers, guidance or health counselors when critical need arises, nor elected officials.

Benefits to Survivors: Benefits are payable to a surviving spouse and children under age 21, upon the death of a member while in service after at least three years of service, or occurring while on retirement. The benefit to children of an annuitant or member whose death occurs while in service after at least three years of service is payable until age 25 if they are full-time students in an accredited educational institution, or payable regardless of age if disabled and disability occurred before age 18.

If only a spouse survives the active or retired member, the annuity payable is 60% of the service or disability retirement annuity earned by the member, subject to a minimum of \$1,200 per year.

The annuity to a child is \$2,880 per year, subject to a maximum payment to five or more minor children of \$14,400 per year. The term "child" or "children" includes any natural child or adopted

SECTION V. APPENDICES

child under age 21, or any permanently disabled child whose incapacity began before the child attained age 21.

A survivor annuitant is entitled to an automatic increase in annuity each year on the anniversary date of the annuity of \$600 if the annuity is \$3,500 per year or less; \$400 if the annuity is between \$3,500 and \$6,300 per year; \$300 if the annuity is between \$6,300 and \$10,100; and \$200 if the annuity is more than \$10,100 per year.

A surviving spouse or minor child surviving the member is entitled, in addition to the above, a death benefit of \$1,000 payable in a lump sum.

A survivor's annuity terminates upon death or re-marriage under the age of 40, attainment of age 21 of the child, or the termination of the incapacity of a disabled child.

Optional Privilege at Retirement: Upon retirement from service, any unmarried employee, if in good health as determined by medical examination, may elect to receive, on an actuarial equivalent basis in lieu of the full retirement annuity, a reduced retirement annuity payable during the annuitant's lifetime, plus an annuity to a designated beneficiary to become payable at death of the annuitant. The annuity to the beneficiary is to be paid at the same rate and under the same conditions that apply to a survivor of a married member whose death occurs while in service.

Death Benefit – Active and Retired Members Without Survivors: Upon death of a member while in service, leaving no survivors eligible for annuities, the designated beneficiary or estate is entitled to a refund of the contribution credits, plus interest, together with a death benefit of \$1,000 payable in a lump sum.

Upon death of a retired member, if no survivors' annuities are payable, the death benefit to a designated beneficiary or the estate of the member consists of the excess, if any, of: (1) the total contribution credits of the member at retirement, plus interest, over (2) the total amount of annuity payments made to the retired member, plus the sum of \$1,000.

Death Benefit – Inactive Members: Upon the death of an inactive member with at least 20 years of pension credit, and survived by a spouse or minor children, the following benefit options are provided: (a) the surviving spouse or children, as the case may be, may elect to receive the annuities prescribed if the death of a member occurs while in service; or (b) a refund of the deceased member's total contribution credits, plus interest.

Refund of Members' Contributions: Upon complete separation from service, or transfer to the Government of Guam Defined Contribution Fund, a member with less than 25 years of pension credit may receive a refund of the total contributions, plus interest (except that no interest is payable if the total pension credit is less than one year).

Contributions by Members: Each Old DB Plan member shall contribute to the Fund 9½% of salary earned and accruing after October 1, 1997; and at the member's option, 10½% of non-base pay subsequent to October 1, 1997. Each DB 1.75 Plan member shall contribute to the Fund 9½% of salary earned and accruing after January 1, 2018.

SECTION V. APPENDICES

APPENDIX B. ACTUARIAL COST METHOD AND ASSUMPTIONS

	September 30, 2020		September 30, 2019	
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Interest Rate	7.00%		7.00%	
Long-term Expected Rate of Return on Plan Assets	7.00%		7.00%	
Salary Increases	<u>Service</u>	<u>% Increase</u>	<u>Service</u>	<u>% Increase</u>
	0 – 5	7.5%	0 – 5	7.5%
	6 – 10	6.0%	6 – 10	6.0%
	11 – 15	5.0%	11 – 15	5.0%
	16 – 20	4.0%	16 – 20	4.0%
	Over 20	4.0%	Over 20	4.0%
Total Payroll Growth (DB and DC)				
First year	2.75%		2.75%	
After first year	2.75%		2.75%	
Cost of Living Adjustment	Specified in Plan		Specified in Plan	
Mortality	RP-2000 Combined Healthy table +3 for males +2 for females projected generationally using 30% of Scale BB		RP-2000 Combined Healthy table +3 for males +2 for females projected generationally using 30% of Scale BB	
Disability				
Incidence	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females		1974-78 SOA LTD Non-Jumbo, with rates reduced by 50% for males and 75% for females	
Post-disability mortality	RP-2000 Disabled table +6 for males +4 for females projected generationally using 30% of Scale BB		RP-2000 Disabled table +6 for males +4 for females projected generationally using 30% of Scale BB	
Withdrawal Rates	Service-based rates (see attached)		Service-based rates (see attached)	
Retirement Age	50% assumed to retire at earliest eligibility for unreduced benefits.		50% assumed to retire at earliest eligibility for unreduced benefits.	
	20% per year thereafter until age 75		20% per year thereafter until age 75	
	100% at age 75		100% at age 75	

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

	September 30, 2020	September 30, 2019
Return of Contributions	<p>100% of current Old DB Plan employees who withdraw before retirement and who have less than 20 years of service are assumed to elect a return of contributions</p> <p>Terminated or inactive members with at least 5 years of service and an account balance of at least \$10,000 and who have not withdrawn their contributions are assumed to retire upon eligibility for unreduced benefits. All other employees who have previously withdrawn are assumed to elect a return of contributions.</p> <p>Contributions earn 4.5% interest</p>	<p>100% of current Old DB Plan employees who withdraw before retirement and who have less than 20 years of service are assumed to elect a return of contributions</p> <p>Terminated or inactive members with at least 5 years of service and an account balance of at least \$10,000 and who have not withdrawn their contributions are assumed to retire upon eligibility for unreduced benefits. All other employees who have previously withdrawn are assumed to elect a return of contributions.</p> <p>Contributions earn 4.5% interest</p>
Marital Status	<p>Retiree data included spouse information. For active employees, 75% are assumed to have spouses at retirement. The assumed age difference is 3 years (+3 for a male spouse; -3 for a female spouse).</p>	<p>Retiree data included spouse information. For active employees, 75% are assumed to have spouses at retirement. The assumed age difference is 3 years (+3 for a male spouse; -3 for a female spouse).</p>
Leave Adjustments	<p>Assumed to add 1.5 years of service (Old DB and DB 1.75) and increase average earnings (Old DB only) by 5% at retirement</p>	<p>Assumed to add 1.5 years of service (Old DB and DB 1.75) and increase average earnings (Old DB only) by 5% at retirement</p>
Administrative Expenses	<p>\$6,439,000 per year (equal to budgeted expense for year ending 9/30/20), allocated 70% to DB and 30% to DC. In addition, the normal cost for DB 1.75 Plan members is increased by 5% to account for additional expenses.</p>	<p>\$6,547,000 per year (equal to budgeted expense for year ending 9/30/19), allocated 70% to DB and 30% to DC. In addition, the normal cost for DB 1.75 Plan members is increased by 5% to account for additional expenses.</p>
Survivor Benefit – Minor Children	<p>Assumed to be 0.2 eligible child survivors at time of retiree death, with payments to minor child continuing for 6 years</p>	<p>Assumed to be 0.2 eligible child survivors at time of retiree death, with payments to minor child continuing for 6 years</p>
Asset Valuation Method	<p>3-year phase-in of gains/losses relative to interest rate assumption</p>	<p>3-year phase-in of gains/losses relative to interest rate assumption</p>
Data Inconsistencies	<p>None</p>	<p>None</p>

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Probabilities of Separation from Active Service
(per 100 working at each age)

MALE					FEMALE				
Age	Death	Disability	Service	Withdrawal	Age	Death	Disability	Service	Withdrawal
20	0.04	0.05	0	15.0	20	0.02	0.03	0	15.0
21	0.04	0.05	1	14.0	21	0.02	0.03	1	14.0
22	0.04	0.05	2	13.0	22	0.02	0.03	2	13.0
23	0.04	0.05	3	12.0	23	0.02	0.03	3	12.0
24	0.04	0.05	4	11.0	24	0.02	0.03	4	11.0
25	0.04	0.05	5	10.0	25	0.02	0.03	5	10.0
26	0.04	0.05	6	9.0	26	0.02	0.03	6	9.0
27	0.04	0.05	7	8.0	27	0.02	0.03	7	8.0
28	0.05	0.05	8	7.0	28	0.03	0.03	8	7.0
29	0.06	0.05	9	6.0	29	0.03	0.03	9	6.0
30	0.06	0.05	10	5.0	30	0.04	0.03	10	5.0
31	0.07	0.05	11	4.5	31	0.04	0.03	11	4.5
32	0.08	0.05	12	4.0	32	0.04	0.03	12	4.0
33	0.08	0.05	13	3.5	33	0.05	0.03	13	3.5
34	0.09	0.05	14	3.0	34	0.05	0.03	14	3.0
35	0.10	0.05	15	2.5	35	0.06	0.03	15	2.5
36	0.10	0.05	16	2.0	36	0.06	0.03	16	2.0
37	0.11	0.05	17	2.0	37	0.06	0.03	17	2.0
38	0.11	0.05	18	2.0	38	0.07	0.03	18	2.0
39	0.12	0.05	19	2.0	39	0.08	0.03	19	2.0
40	0.13	0.10	20 & over	2.0	40	0.09	0.05	20 & over	2.0
41	0.14	0.10			41	0.09	0.05		
42	0.15	0.10			42	0.10	0.05		
43	0.16	0.10			43	0.11	0.05		
44	0.17	0.10			44	0.12	0.05		
45	0.19	0.18			45	0.13	0.09		
46	0.20	0.18			46	0.14	0.09		
47	0.21	0.18			47	0.16	0.09		
48	0.24	0.18			48	0.17	0.09		
49	0.27	0.18			49	0.19	0.09		
50	0.29	0.32			50	0.20	0.16		
51	0.32	0.32			51	0.22	0.16		
52	0.36	0.32			52	0.24	0.16		
53	0.42	0.32			53	0.27	0.16		
54	0.47	0.32			54	0.31	0.16		
55	0.53	0.53			55	0.35	0.27		
56	0.59	0.53			56	0.39	0.27		
57	0.67	0.53			57	0.44	0.27		
58	0.77	0.53			58	0.51	0.27		
59	0.88	0.53			59	0.58	0.27		
60	1.00	0.76			60	0.67	0.38		
61	1.13	0.76			61	0.76	0.38		
62	1.27	0.76			62	0.86	0.38		
63	1.44	0.76			63	0.97	0.38		
64	1.61	0.76			64	1.10	0.38		

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

APPENDIX C. SUMMARY OF PARTICIPANT DATA

Active Non-Uniformed – Old DB Plan

Age	COUNT			ANNUAL SALARIES		
	Males	Females	Total	Males	Females	Total
Under 20	-	-	-	-	-	-
20 – 24	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-
40 – 44	6	3	9	*	*	*
45 – 49	80	100	180	\$ 4,260,640	\$ 5,550,790	\$ 9,811,430
50 – 54	146	202	348	8,759,961	12,544,813	21,304,773
55 – 59	145	214	359	8,447,158	13,213,510	21,660,668
60 – 64	98	120	218	6,344,742	7,077,840	13,422,582
65 – 69	27	58	85	2,118,282	3,516,015	5,634,298
70 & Over	<u>11</u>	<u>31</u>	<u>42</u>	<u>*</u>	<u>2,089,238</u>	<u>2,089,238</u>
Total	513	728	1,241	\$29,930,783	\$43,992,206	\$73,922,989

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

Age	SERVICE									Total
	0 - 4	5 - 9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20	-	-	-	-	-	-	-	-	-	-
20 – 24	-	-	-	-	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-	-	-	-	-
40 – 44	-	1	1	2	1	3	1	-	-	9
45 – 49	4	2	5	15	23	118	13	-	-	180
50 – 54	3	2	7	3	18	196	112	7	-	348
55 – 59	4	8	14	9	23	145	125	30	1	359
60 – 64	2	6	8	5	11	87	69	23	7	218
65 – 69	1	2	2	-	5	35	24	5	11	85
70 & Over	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>15</u>	<u>11</u>	<u>5</u>	<u>9</u>	<u>42</u>
Total	14	21	37	34	83	599	355	70	28	1,241

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Active Uniformed – Old DB Plan

Age	COUNT			ANNUAL SALARIES		
	Males	Females	Total	Males	Females	Total
Under 20	-	-	-	-	-	-
20 – 24	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-
40 – 44	1	-	1	*	-	*
45 – 49	41	1	42	\$ 3,113,531	*	\$ 3,113,531
50 – 54	57	9	66	5,618,922	*	5,618,922
55 – 59	49	4	53	4,709,745	*	4,709,745
60 – 64	10	3	13	*	*	*
65 – 69	2	1	3	*	-	*
70 & Over	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	161	18	179	\$ 13,442,198	*	\$ 13,442,198

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

Age	SERVICE									Total
	0 – 4	5 – 9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20	-	-	-	-	-	-	-	-	-	-
20 – 24	-	-	-	-	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-	-	-	-	-
40 – 44	-	-	-	-	1	-	-	-	-	1
45 – 49	-	-	-	1	13	26	2	-	-	42
50 – 54	-	1	1	2	4	33	24	1	-	66
55 – 59	-	1	-	-	2	26	19	5	-	53
60 – 64	-	-	-	-	-	8	1	3	1	13
65 – 69	-	-	-	-	-	2	-	1	-	3
70 & Over	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total	-	3	1	3	20	95	46	10	1	179

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Active Total – Old DB Plan

Age	COUNT			ANNUAL SALARIES		
	Males	Females	Total	Males	Females	Total
Under 20	-	-	-	-	-	-
20 – 24	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-
40 – 44	7	3	10	*	*	*
45 – 49	121	101	222	\$ 7,374,171	\$ 5,550,790	\$ 12,924,961
50 – 54	203	211	414	14,378,883	12,544,813	26,923,695
55 – 59	194	218	412	13,156,903	13,213,510	26,370,413
60 – 64	108	123	231	6,344,742	7,077,840	13,422,582
65 – 69	29	59	88	2,118,282	3,516,015	5,634,298
70 & Over	<u>12</u>	<u>31</u>	<u>43</u>	<u>*</u>	<u>2,089,238</u>	<u>2,089,238</u>
Total	674	746	1,420	\$43,372,981	\$43,992,206	\$87,365,187

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

Age	SERVICE									Total
	0 - 4	5 – 9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20	-	-	-	-	-	-	-	-	-	-
20 – 24	-	-	-	-	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-	-	-	-	-
40 – 44	-	1	1	2	2	3	1	-	-	10
45 – 49	4	2	5	16	36	144	15	-	-	222
50 – 54	3	3	8	5	22	229	136	8	-	414
55 – 59	4	9	14	9	25	171	144	35	1	412
60 – 64	2	6	8	5	11	95	70	26	8	231
65 – 69	1	2	2	0	5	37	24	6	11	88
70 & Over	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>15</u>	<u>11</u>	<u>5</u>	<u>9</u>	<u>43</u>
Total	14	24	38	37	103	694	401	80	29	1,420

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Active – DB 1.75 Plan

Age	COUNT			ANNUAL SALARIES		
	Males	Females	Total	Males	Females	Total
Under 20	-	-	-	-	-	-
20 – 24	11	7	18	*	*	*
25 – 29	77	87	164	2,808,838	3,127,467	5,936,305
30 – 34	167	184	351	7,097,604	7,396,727	14,494,331
35 – 39	166	183	349	7,431,667	8,224,601	15,656,267
40 – 44	193	220	413	10,064,892	10,796,314	20,861,206
45 – 49	260	270	530	15,272,951	14,642,017	29,914,968
50 – 54	234	193	427	14,673,456	10,272,357	24,945,812
55 – 59	178	198	376	11,820,857	11,145,148	22,966,005
60 – 64	105	130	235	6,699,357	7,145,477	13,844,834
65 – 69	43	67	110	3,247,304	3,750,698	6,998,002
70 & Over	<u>29</u>	<u>18</u>	<u>47</u>	<u>1,950,941</u>	<u>*</u>	<u>1,950,941</u>
Total	1,463	1,557	3,020	\$81,067,867	\$76,500,806	\$157,568,671

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

Age	SERVICE									Total
	0 - 4	5 – 9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 20	-	-	-	-	-	-	-	-	-	-
20 – 24	17	1	-	-	-	-	-	-	-	18
25 – 29	86	75	2	1	0	0	0	0	-	164
30 – 34	110	194	47	0	0	0	0	0	-	351
35 – 39	66	152	91	38	2	0	0	0	-	349
40 – 44	63	106	97	97	49	0	1	0	-	413
45 – 49	42	99	99	94	170	26	0	0	-	530
50 – 54	36	81	90	67	100	36	17	0	-	427
55 – 59	21	54	82	52	98	39	26	4	-	376
60 – 64	8	32	42	50	59	28	14	2	-	235
65 – 69	4	10	19	35	26	9	6	1	-	110
70 & Over	<u>-</u>	<u>1</u>	<u>7</u>	<u>16</u>	<u>13</u>	<u>7</u>	<u>1</u>	<u>2</u>	<u>-</u>	<u>47</u>
Total	453	805	576	450	517	145	65	9	-	3,020

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Service Retirees ***

Age	COUNT			ANNUAL BENEFITS**		
	Males	Females	Total	Males	Females	Total
Under 25	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-
40 – 44	1	1	2	*	*	*
45 – 49	4	2	6	*	*	*
50 – 54	91	50	141	\$ 5,206,667	\$ 2,093,741	\$ 7,300,407
55 – 59	265	206	471	13,877,292	9,147,005	23,024,297
60 – 64	427	355	782	19,620,977	14,295,760	33,916,737
65 – 69	573	602	1,175	22,606,185	21,070,615	43,676,800
70 – 74	494	604	1,098	19,253,852	20,032,028	39,285,880
75 – 79	336	421	757	12,854,620	13,356,348	26,210,968
80 – 84	219	285	504	7,464,710	7,822,184	15,286,893
85 – 89	115	181	296	3,414,599	4,855,771	8,270,370
90 & Over	<u>50</u>	<u>95</u>	<u>145</u>	<u>1,636,911</u>	<u>2,428,248</u>	<u>4,065,159</u>
Total	2,575	2,802	5,377	\$105,978,716	\$95,093,302	\$201,072,018

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

** Annual benefits shown do not include ad hoc COLAs or Supplemental Annuity Payments.

*** Payees receiving benefits under Qualified Domestic Relations Orders (QDROs) are included with service retirees.

Age	ANNUAL BENEFIT LEVEL									Total
	<\$5k	\$5-10k	\$10-15k	\$15-20k	\$20-25k	\$25-30k	\$30-40k	\$40-50k	\$50k+	
Under 40	-	-	-	-	-	-	-	-	-	-
40 – 44	-	-	-	1	-	-	-	-	1	2
45 – 49	-	-	-	-	-	-	1	2	3	6
50 – 54	1	2	2	4	3	11	30	27	61	141
55 – 59	-	1	8	18	23	43	91	97	190	471
60 – 64	4	12	18	38	63	87	173	147	240	782
65 – 69	6	18	41	60	125	161	323	228	213	1,175
70 – 74	-	13	43	80	131	178	303	190	160	1,098
75 – 79	1	5	46	71	97	128	191	113	105	757
80 – 84	1	8	52	71	80	75	116	52	49	504
85 – 89	-	1	44	64	54	39	51	22	21	296
90 & Over	<u>-</u>	<u>-</u>	<u>26</u>	<u>32</u>	<u>21</u>	<u>16</u>	<u>28</u>	<u>5</u>	<u>17</u>	<u>145</u>
Total	13	60	280	439	597	738	1,307	883	1,060	5,377

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Disabled Retirees

Age	COUNT			ANNUAL BENEFITS**		
	Males	Females	Total	Males	Females	Total
Under 25	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-
40 – 44	-	-	-	-	-	-
45 – 49	3	3	6	*	*	*
50 – 54	6	2	8	*	*	*
55 – 59	13	6	19	*	*	*
60 – 64	15	11	26	*	*	*
65 – 69	22	21	43	\$ 577,681	\$ 446,880	\$ 1,024,560
70 – 74	17	26	43	*	580,670	580,670
75 – 79	14	18	32	*	*	*
80 – 84	10	15	25	*	*	*
85 – 89	2	3	5	*	*	*
90 & Over	<u>1</u>	<u>2</u>	<u>3</u>	<u>*</u>	<u>*</u>	<u>*</u>
Total	103	107	210	\$577,681	\$1,027,550	\$1,605,231

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

** Annual benefits shown do not include ad hoc COLAs or Supplemental Annuity Payments.

Age	ANNUAL BENEFIT LEVEL									Total
	<\$5k	\$5-10k	\$10-15k	\$15-20k	\$20-25k	\$25-30k	\$30-40k	\$40-50k	\$50k+	
Under 40	-	-	-	-	-	-	-	-	-	-
40 – 44	-	-	-	-	-	-	-	-	-	-
45 – 49	-	-	-	4	1	-	-	1	-	6
50 – 54	-	-	-	2	1	1	3	1	-	8
55 – 59	-	-	1	3	5	5	2	1	2	19
60 – 64	-	-	2	11	6	4	2	-	1	26
65 – 69	-	-	3	14	9	9	7	1	-	43
70 – 74	-	-	5	10	10	11	5	2	-	43
75 – 79	-	-	5	14	6	3	3	-	1	32
80 – 84	-	-	2	9	10	2	2	-	-	25
85 – 89	-	-	3	2	-	-	-	-	-	5
90 & Over	<u>-</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total	-	-	23	70	48	35	24	6	4	210

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Surviving Spouses and Child Pensioners

Age	COUNT			ANNUAL BENEFITS**		
	Males	Females	Total	Males	Females	Total
Under 25	56	62	118	\$ 161,280	\$ 190,379	\$ 351,659
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	2	2	-	*	*
40 – 44	-	13	13	-	*	*
45 – 49	-	25	25	-	418,935	418,935
50 – 54	7	55	62	*	983,438	983,438
55 – 59	8	91	99	*	1,658,025	1,658,025
60 – 64	20	165	185	333,823	3,223,703	3,557,526
65 – 69	44	226	270	731,893	4,574,457	5,306,350
70 – 74	45	243	288	796,350	4,668,750	5,465,100
75 – 79	48	197	245	806,303	3,604,195	4,410,498
80 – 84	44	182	226	708,377	3,215,527	3,923,904
85 – 89	29	131	160	431,992	2,128,169	2,560,162
90 & Over	<u>27</u>	<u>92</u>	<u>119</u>	<u>434,465</u>	<u>1,371,696</u>	<u>1,806,161</u>
Total	328	1,484	1,812	\$4,404,483	\$26,037,273	\$30,441,756

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

** Annual benefits shown do not include ad hoc COLAs or Supplemental Annuity Payments.

Surviving Spouses Only

Age	ANNUAL BENEFIT LEVEL									Total
	<\$5k	\$5-10k	\$10-15k	\$15-20k	\$20-25k	\$25-30k	\$30-40k	\$40-50k	\$50k+	
Under 40	-	-	2	1	-	-	-	-	-	3
40 – 44	-	3	4	3	1	1	1	0	-	13
45 – 49	-	3	10	5	3	2	2	0	-	25
50 – 54	1	3	17	26	8	4	1	2	-	62
55 – 59	1	11	34	19	13	8	12	1	-	99
60 – 64	-	10	54	52	38	16	10	2	3	185
65 – 69	1	11	88	68	50	21	21	7	3	270
70 – 74	1	13	103	73	45	23	25	3	2	288
75 – 79	-	11	97	61	40	17	15	4	-	245
80 – 84	-	17	81	66	35	15	9	2	1	226
85 – 89	-	7	82	45	13	6	6	1	-	160
90 & Over	<u>-</u>	<u>9</u>	<u>71</u>	<u>23</u>	<u>9</u>	<u>4</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>119</u>
Total	4	98	643	442	255	117	104	23	9	1,695

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

SECTION V. APPENDICES

Inactive and Terminated Members Who are Assumed Not to Withdraw Contributions

Age	COUNT			ANNUAL BENEFITS		
	Males	Females	Total	Males	Females	Total
Under 25	-	-	-	-	-	-
25 – 29	-	-	-	-	-	-
30 – 34	-	-	-	-	-	-
35 – 39	-	-	-	-	-	-
40 – 44	2	-	2	*	*	*
45 – 49	3	4	7	*	*	*
50 – 54	21	10	31	\$ 310,608	*	\$310,608
55 – 59	15	20	35	*	320,158	320,158
60 – 64	12	8	20	*	*	*
65 – 69	3	3	6	*	*	*
70 – 74	5	3	8	*	*	*
75 – 79	1	-	1	*	*	*
80 – 84	2	2	4	*	*	*
85 – 89	-	-	-	-	-	-
90 & Over	-	-	-	-	-	-
Total	64	50	114	\$ 310,608	\$ 320,158	\$ 630,766

* Not shown if fewer than 20 members. The totals only sum the cells that are displayed.

Age	ANNUAL BENEFIT LEVEL									Total
	<\$5k	\$5-10k	\$10-15k	\$15-20k	\$20-25k	\$25-30k	\$30-40k	\$40-50k	\$50k+	
Under 40	-	-	-	-	-	-	-	-	-	-
40 – 44	-	1	1	-	-	-	-	-	-	2
45 – 49	1	4	1	-	1	-	-	-	-	7
50 – 54	6	7	10	4	1	1	1	1	-	31
55 – 59	2	8	6	7	7	2	1	1	1	35
60 – 64	2	6	4	2	1	1	1	2	1	20
65 – 69	-	3	2	-	-	-	-	-	1	6
70 – 74	3	3	-	-	1	-	1	-	-	8
75 – 79	1	-	-	-	-	-	-	-	-	1
80 – 84	1	2	-	-	-	1	-	-	-	4
85 – 89	-	-	-	-	-	-	-	-	-	-
90 & Over	-	-	-	-	-	-	-	-	-	-
Total	16	34	24	13	11	5	4	4	3	114

This work product was prepared solely for the Government of Guam Retirement Fund for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing this Milliman work product.

APPENDIX D. RISK DISCLOSURE

The purpose of this appendix is to identify, assess, and provide illustrations of risks that are significant to the Plan, and in some cases to the Plan's participants. Historical data is included.

The results of the actuarial valuation are based on one set of reasonable assumptions. However, it is almost certain that future experience will not exactly match the assumptions. As an example, investments may perform better or worse than assumed in any single year and over any longer time horizon. It is therefore important to consider the potential impacts of these likely differences when making decisions that may affect the future financial health of the Plan, or of the Plan's participants.

In addition, as plans mature they accumulate larger pools of assets and liabilities. This increases the potential risk to plan funding and the finances of those who are responsible for plan funding. As an example, it is more difficult for a plan sponsor to deal with the effects of a 10% investment loss on a plan with \$1 billion in assets and liabilities than if the same plan sponsor is responsible for a 10% investment loss on a plan with \$1 million in assets and liabilities. Since pension plans make long-term promises and rely on long-term funding, it is important to consider how mature the Plan is today, and how mature it may become in the future.

Actuarial Standard of Practice No. 51 (ASOP 51) addresses these issues by providing actuaries with guidance for assessing and disclosing the risk associated with measuring pension liabilities and the determination of pension plan contributions. Specifically, it directs the actuary to:

- Identify risks that may be significant to the Plan.
- Assess the risks identified as significant to the Plan. The assessment does not need to include numerical calculations.
- Disclose plan maturity measures and historical information that are significant to understanding the Plan's risks.

ASOP 51 states that if in the actuary's professional judgment, a more detailed assessment would be significantly beneficial in helping the individuals responsible for the Plan to understand the risks identified by the actuary, then the actuary should recommend that such an assessment be performed.

This appendix uses the framework of ASOP 51 to communicate important information about: significant risks to the Plan, the Plan's maturity, and relevant historical plan data.

SECTION V. APPENDICES**Investment Risk**

Definition: The potential that investment returns will be different than expected.

Identification: To the extent that actual investment returns differ from the assumed investment return, the Plan's future assets, funding contributions, and funded status may differ significantly from those presented in this valuation.

Assessment: If the prior year's investment performance had been 150 basis points less than the 7.0% investment return assumption, it would have resulted in assets on a market value basis approximately \$30 million lower than expected. The asset loss would be recognized in the actuarial value of assets as a \$10 million loss in each of the next three years. A \$10 million decrease in actuarial value of assets would increase the contribution rate by 0.19% (from 28.32% to 28.51% in this valuation).

Interest Rate Risk

Definition: The potential that interest rates will be different than expected.

Identification: The pension liabilities reported herein have been calculated by computing the present value of expected future benefit payments using the interest rate(s) described in Appendix B. If interest rates in future valuations differ from this valuation, future pension liabilities, funding contributions, and funded status may differ significantly from those presented in this valuation. As a general rule, using a higher interest rate to compute the present value of future benefit payments will result in a lower pension liability, and vice versa.

Assessment: If the interest rate changes by 1%, the estimated change in pension liability is approximately 11%.

Demographic Risks

Definition: The potential that mortality or other demographic experience will be different than expected.

Identification: The pension liabilities reported herein have been calculated by assuming that participants will follow patterns of demographic experience (e.g., mortality, withdrawal, disability, retirement, form of payment election, etc.) as described in Appendix B. If actual demographic experience or future demographic assumptions are different from what is assumed to occur in this valuation, future pension liabilities, funding contributions, and funded status may differ significantly from those presented in this valuation. Note that we periodically perform an actuarial experience study of the Plan and provide recommendations for revisions where appropriate. The last experience study performed was in 2017 and was for the period October 1, 2011 to September 30, 2015. The next experience study is scheduled to be performed later this year and will be for the period October 1, 2015 to September 30, 2020.

Retirement Risk

Definition: The potential for participants to retire and receive subsidized benefits more valuable than expected.

SECTION V. APPENDICES

Identification: The Old DB Plan has valuable early retirement benefits. For example, for an employee who originally became a member of the Fund prior to October 1, 1981, the benefit is unreduced at 25 years of service (regardless of age). If the participant has reached 20 years of service, the benefits is reduced at 3% per year below age 60. For employees who became members of the Fund after October 1, 1981, the early retirement benefits are also subsidized but not as subsidized as for those prior to October 1, 1981.

Duration Risk

Definition: Duration is a measure of the weighted average time until the plan's benefits are expected to be paid. It is an indicator of sensitivity to changes in interest rates: the higher the plan's duration, the more sensitive a plan's obligations are to changes in interest rates. Duration typically decreases as a plan matures and retiree liabilities exceed liabilities for active members.

Identification: The combined duration for the Old DB Plan and the DB 1.75 plan is approximately 11 years, which implies that plan liabilities would be expected to increase about 11% in response to a 1% decrease in interest rate.

Amortization/Funding Period

Definition: The Unfunded Actuarial Accrued Liability (UAAL) is the portion of the liability that has not yet been funded (equals liabilities minus assets). This amount is amortized over a specific period of time and is included in the determination of the contributions that are required each year.

Identification: The plan currently has a UAAL of \$1,174 million, which is approximately 36% of the total liabilities. This amount is currently amortized over 12.58 years which produces a contribution requirement for this component of \$120.8 million, which represents approximately 80% of the total of DB and DC contributions required for this year (\$151.1 million).

Assessment: Based on the current amortization method, the employer contribution rate is projected to drop substantially in 2034. The employer contribution rate will also become more and more volatile as the remaining period is reduced. For example, in the actuarial valuation as of September 30, 2032, any investment gains or losses for the prior year will be amortized in less than 1 year. The next experience study will review the funding method and may include a recommendation to change the method to reduce the future volatility in the employer contribution rate and spread out the projected decline in the rate.

APPENDIX E. GLOSSARY OF KEY TERMS

Actuarial Accrued Liability or Total Pension Liability. The Present Value of Future Benefits allocated to past service in accordance with the actuarial cost method. GASB 67 uses the term Total Pension Liability.

Actuarial Cost Method. A method of allocating the present value of benefits to past and future periods. Actuarial cost methods take into consideration the effect of wage inflation.

Actuarial Gains and Losses. Changes to the Actuarial Accrued Liability due to deviations from the actuarial assumptions. These can include gains and losses from investments, employee turnover, disability, retirement, mortality, and administrative expenses.

Actuarial Value of Assets. A method of valuing Fund assets that may smooth gains and losses that occur in the market value over a period of time.

GASB. Government Accounting Standards Board. GASB Statements No. 67, and 68 are accounting standards issued by GASB that require certain items be disclosed in the Fund's financial statements.

Fiduciary Net Position. The market value of Fund assets.

Net Pension Liability. The dollar value of the Total Pension Liability that exceeds the market value of Fund assets. A fully funded plan will have no Net Pension Liability.

Normal Cost or Service Cost. The value of benefits earned for one year of service. The normal cost is calculated in accordance with the actuarial cost method. The accumulation of all normal costs assigned to past service equals the Actuarial Accrued Liability. GASB 68 uses the term Service Cost.

Present Value of Benefits. The sum of all benefits expected to be paid in the future by the retirement system, with the payments discounted to the present using the valuation interest rate. This includes benefits to be earned in the future for current employees.

Present Value of Future Normal Cost. The sum of all future normal costs expected for current employees, with the costs discounted back to the present using the valuation interest rate.

Security Ratio. The percentage of the Actuarial Accrued Liability that is funded by the Fund assets. A fully funded plan will have a security ratio of 100%.

Unfunded Actuarial Accrued Liability. The dollar value of the Actuarial Accrued Liability that exceeds the Actuarial Value of Assets. A fully funded plan will have no unfunded actuarial accrued liability.