



A Report to Our Members

For Fiscal Year 2020

Issued April 2021

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MISSION

The purpose of the Fund is to provide retirement annuities and other benefits for the employees of the government of Guam enabling them to accumulate reserves for themselves and their survivors to meet the hazards of old age, disability, death & termination of employment.

About US

The Government of Guam Retirement Fund (the “Fund”) was established and became operative on May 1, 1951 to provide retirement annuities and other benefits to employees of the Government of Guam. Plans administered by the Fund are as follows:

The *Defined Benefit Plan (“DB Plan”)* is a single-employer defined benefit pension plan. The DB plan provides for retirement, disability, and survivor benefits to members of the Plan prior to October 1, 1995. All new employees whose employment commences on or after October 1, 1995 are required to participate in the Defined Contribution Retirement System.

The *Defined Contribution Retirement System (“DC Plan”)* was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed in the Government of Guam. The DC Plan is a single-employer pension plan and shall be the single retirement program for all new employees whose employment commences on or after October 1, 1995. The DC Plan, by its nature, is fully funded on a current basis from employer and member contributions.

The *Deferred Compensation Plan (“457 Plan”)* is available to both DB and DC Plan members. It is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing before-tax dollars through a **voluntary** salary contribution. **Contributions** and **earnings** are **tax-deferred** until money is withdrawn. Distributions are usually taken at retirement, but participants can also **take** distributions if they terminate employment.

The *Defined Benefit 1.75 Plan (DB 1.75 Plan)* became effective January 1, 2018. The DB 1.75 Plan comprises additional provisions to the DB Plan which establishes an alternative benefit structure, and constitutes a tax-qualified “governmental plan” as described under Sections 414(d) and 401(a) of the United States Internal Revenue Code. The alternative benefit structure is coordinated with participation in, and mandatory contribution to, the Government of Guam Deferred Compensation Plan.

Board of Trustees

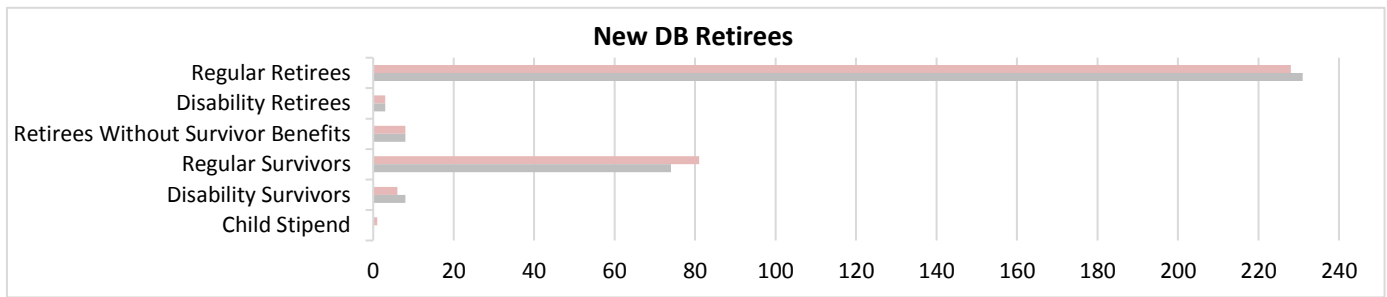
The Retirement Fund Board of Trustees (the “Board”) is responsible for the general administration and proper operation of the Fund. With the passage of Public Law 27-43, effective November 14, 2003 the Board comprises seven members. Three are appointed by the Governor with the advice and consent of the Legislature. Four trustees - 2 retirees and 2 active members - are elected by the class of members they represent. The term of office for all Board Members is five years.

The Fund is accounted for as a blended component unit, fiduciary fund type, pension trust fund of the Government of Guam.

	FY 2020	FY 2019
Participant Counts - DB Plan		
Active	1,415	1,605
Retired	7,414	7,360
Total Actives and Retirees	8,829	8,965
Inactive and Terminated Members with Accumulated Contributions	3,123	3,162
	11,952	12,127
Participant Counts - DC Plan		
Active	6,810	6,286
Inactive (Non-Contributing) Members with Account Balances	6,820	6,505
	13,630	12,791
Participant Counts - DB 1.75 Plan		
Active	2,898	3,040
Retired	124	64
Total Actives and Retirees	3,022	3,104

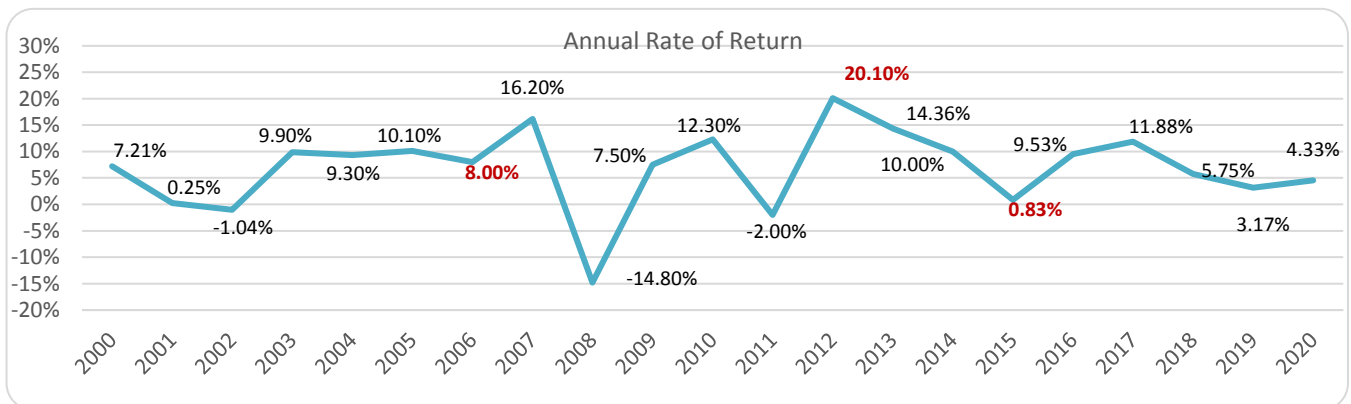
How We Have Progressed

DEFINED BENEFIT PLAN



		Regular Retirees	Disability Retirees	Retirees Without Survivor Benefits	Regular Survivors	Disability Survivors	Child Stipend
2020	228	3	8	81	6	1	
2019	231	3	8	74	8	0	

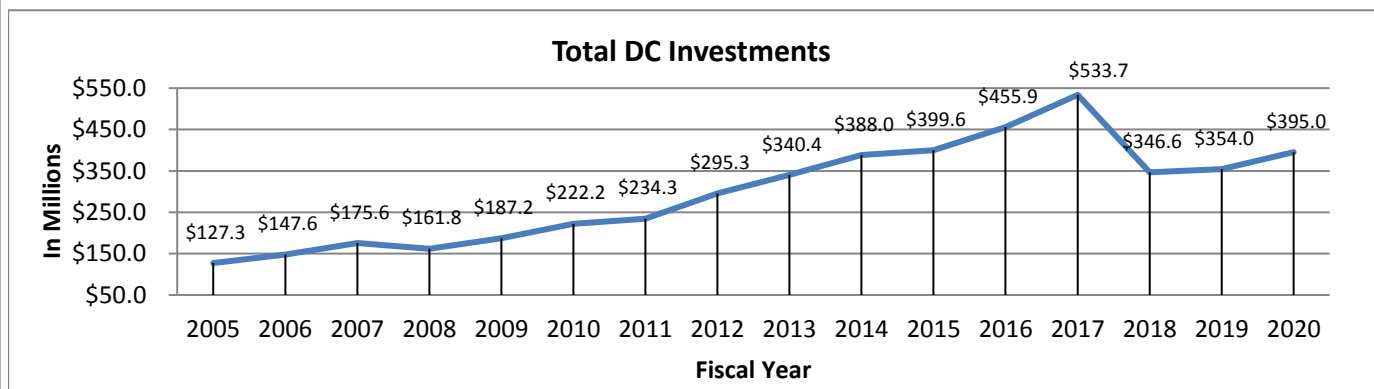
For 2020, the **DB Plan** investment portfolio posted a positive return of 4.33%, compared to 2019's return of 3.17%.



GGRF investment returns averaged 8.02% percent from 1995 through 2020. Over that period, there have been three years with negative returns, all of which occurred in the last eighteen years.

DEFINED CONTRIBUTION PLAN

For 2020, DC Plan investments totaled \$395M compared to the \$354M in 2019.

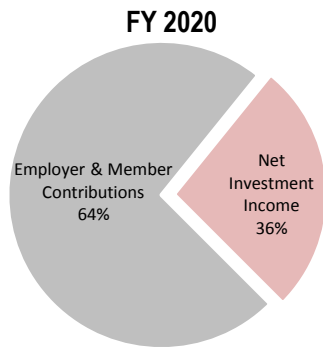


In addition, DC Plan employer and employee contributions increased by \$3.1M or 10.4% over 2019. The increase is due largely to the increase in active DC Plan participants from 6,286 in 2019 to 6,810 in 2020.

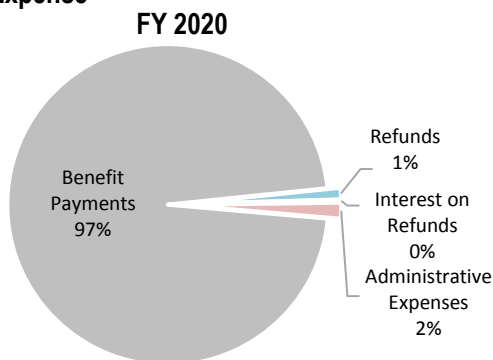
Income & Expense

DEFINED BENEFIT PLAN

DB Contributions and Net Investment Income



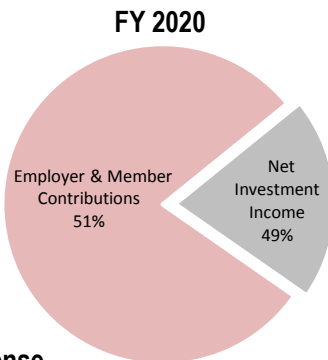
DB Expense



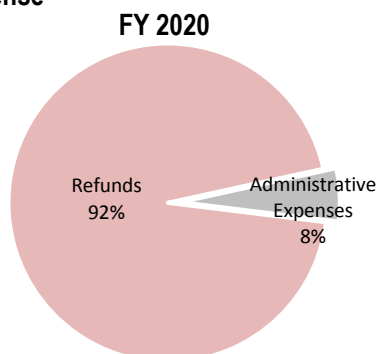
	2020	2019
Net Appreciation in Fair Value		
of Investments	\$43,652,957	\$18,763,630
Interest, Dividends & Other		
Investment Income	41,830,207	43,397,011
Less Investment Expenses	(4,604,148)	(5,402,151)
Net Investment Income	80,879,016	56,758,490
Employer & Member Contributions	141,128,399	141,290,127
Total Additions	222,007,415	198,048,617
Benefit Payments	233,929,231	227,829,152
Refunds	1,981,775	2,717,659
Interest on Refunds	320,196	617,745
Administrative Expenses	3,609,024	3,766,207
Total Deductions	239,840,226	234,930,763
Net Decrease in Net Assets	(\$17,832,811)	\$(36,882,146)

DEFINED CONTRIBUTION PLAN

DC Contributions and Net Investment Income



DC Expense



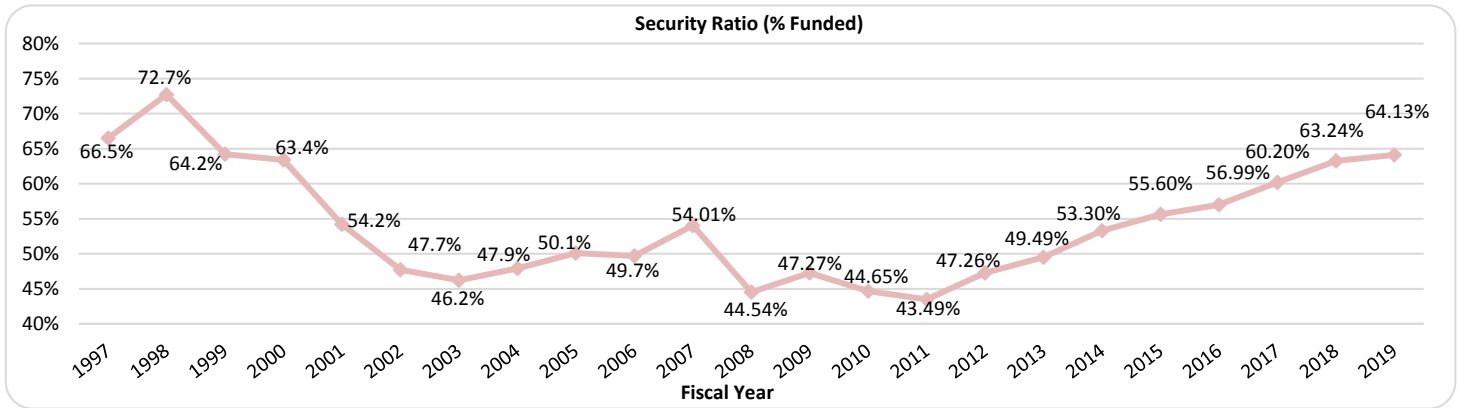
	2020	2019
Net Appreciation in Fair Value		
of Investments	13,037,292	(29,958,355)
Interest, Dividends & Other		
Investment Income	19,364,839	37,815,522
Less Investment Expenses	(134,045)	(153,266)
Net Investment Income	32,268,086	7,703,901
Employer & Member Contributions	32,960,401	29,850,001
Total Additions	65,228,487	37,553,902
Refunds	21,688,909	28,088,482
Administrative Expenses	1,765,301	1,593,766
Total Deductions	23,454,210	29,682,248
Net Increase in Net Assets	41,774,277	7,871,654

Independent Audit

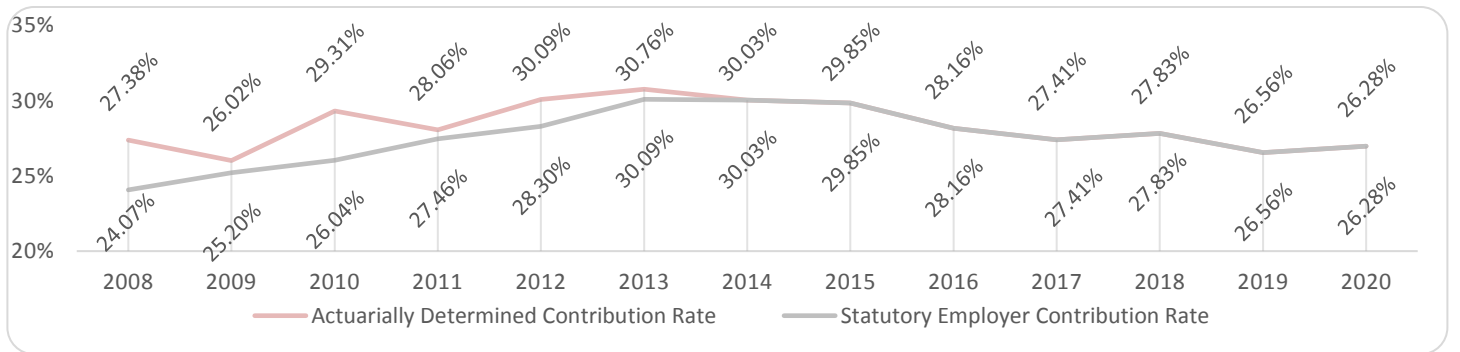
An independent audit was conducted, resulting in a clean audit opinion. Complete financial information can be found at our website: www.ggrf.com.

DEFINED BENEFIT PLAN - UNFUNDED LIABILITY & SECURITY RATIO

Underfunding of the DB Plan continues to be an ongoing concern. The unfunded liability has grown from \$552 million at September 30, 1995 to \$1.16 billion at September 30, 2019. This represents a decrease in the security ratio, from 66.5% in 1997 to 64.13% in 2019, and an increase in the unfunded liability ratio from 33.5% in 1995 to 35.87% in 2019. The security ratio is the ratio of assets to liabilities.



If future contributions equal the actuarially determined contribution rate, and plan investments earn 7% each year, the DB Plan is expected to become fully funded in 2033. The Guam Legislature’s efforts toward full funding since 2007 have narrowed the gap between the statutory and actuarially determined contribution rate. The increase in the gap from .82% in 2009 to 3.27% in 2010 is due largely to the negative return of 14.8% in 2008. A comparison of the “actuarially determined” versus the “statutory” employer contribution rates for 2008 to 2019 are reflected below.



THE CORONAVIRUS – A GLOBAL PANDEMIC

On March 11, 2020, the World Health Organization (WHO) officially declared the Coronavirus (COVID-19) a global pandemic amid a rapid escalation in the number of affected countries, confirmed cases, and deaths. The WHO recommended that containment measures be adopted globally. On March 13, 2020, President Donald J. Trump declared a national emergency in the United States.

The Fund’s offices were closed to visitors beginning in March 2020 and were not opened to visitors until January 2021. During the time the offices were closed, the Fund did provide limited services to its Members and Retirees, while implementing social distancing measures. The pandemic is expected to impact investments and net position. As of December 31, 2020, the impact on investments was as follows:

The market value of the Fund’s invested assets in the DB plan increased from \$1.9 billion at September 30, 2020 to approximately \$2.1 billion at December 31, 2020. This is an increase of \$143 million, or about 7.2%. DB Plan investments posted a positive return of 10.33% for the quarter ended December 31, 2020. DC plan assets increased from \$395 million at September 30, 2020 to \$439 million at December 31, 2020. This is an increase of \$44 million, or about 11.2%.

However, due to significant uncertainties caused by COVID-19, the Fund is unable to reasonably estimate the ultimate financial impact.

We would like to hear from you... Do you like this report or believe it should include different / additional information? Please contact GGRF through our website www.ggrf.com, by telephone at (671) 475-8900, or by fax at (671) 475-8922. More information is available on our