clerks@guamlegislature.org

From: Committee on Rules 36GL <cor@guamlegislature.org>
Sent: Wednesday, June 1, 2022 8:30 AM
To: Clerks; Rennae Meno
Cc: Speaker Therese M. Terlaje
Subject: Messages and Communications for Doc. No. 36GL-22-2082*
Attachments: 36GL-22-2082.pdf

Håfa Adai Clerks,

Please see attached M&C Doc. No. 36GL-22-2082 for processing:

36GL-22-2082	GGRF's FY 2021 Citizen-Centric Report* FY 2021 - Citizen Centric Report*	Government of Guam Retirement Fund

Si Yu'os Ma'åse',

COMMITTEE ON RULES
Vice Speaker Tina Rose Muña Barnes
36th Guam Legislature
I Mina'trentai Sais Na Liheslaturan Guåhan
163 Chalan Santo Papa Hågatña Guam 96910
Email: cor@guamlegislature.org

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---------- Forwarded message ---------
From: **Speaker Therese M. Terlaje** <speaker@guamlegislature.org>
Date: Tue, May 31, 2022 at 5:17 PM
Subject: Messages and Communications for 36GL-22-2082
To: Legislative Secretary Amanda Shelton <officeofsenatorshelton@guamlegislature.org>, Committee on Rules 36GL <cor@guamlegislature.org>

Håfa Adai,

Please see attached M&C Doc. No. 36GL-22-2082*

36GL-22-2082	GGRF's FY 2021 Citizen-Centric Report*	Government of Guam Retirement Fund

Si Yu'os Ma'åse',

Marie Cruz
Community Relations Liaison

Office of Speaker Therese M. Terlaje
Committee on Health, Land, Justice and Culture
I Mina'trentai Sais na Liheslaturan Guåhan
36th Guam Legislature
Guam Congress Building, 163 Chalan Santo Papa, Hagåtña, Guam 96910
T: (671) 472-3586 F: (671) 989-3590 Email: senatorterlajeguam@gmail.com
website: www.senatorterlaje.com

---------- Forwarded message ---------
From: **Ceria A. Magdalera** <camagdalera@ggrf.com>
Date: Tue, May 31, 2022 at 4:26 PM
Subject: GGRF's FY 2021 - Citizen Centric Report
To: Benjamin Cruz <bjcruz@guamopa.com>, <speaker@guamlegislature.org>
Cc: Paula M. Blas <pmblas@ite.net>, David Burger <daveb@bcmcpa.com>, Diana T. Bernardo <dtbernardo@ggrf.com>

Honorable Benjamin F. Cruz

Public Auditor

Office of the Public Auditor

Suite 401, DNA Bldg.

238 Archbishop Flores Street

Hagatna, GU 96910

Honorable Therese M. Terlaje

Speaker of the 36th Guam Legislature

163 Chalan Santo Papa

Hagatna, GU 96910

Hafa Adai,

Pursuant to Title 1 Guam Code Annotated, Chapter 19 Subsection 1922(a), attached herewith is GGRF's FY 2021 Citizen-Centric Report.

Should you have any questions or concerns, please do not hesitate to contact me at the telephone number below.

Sincerely,

Ceria A. Magdalera

Government of Guam Retirement Fund

General Accounting Supervisor

(671)475-8931

Speaker Therese M. Terlaje <speaker@guamlegislature.org>

GGRF's FY 2021 - Citizen Centric Report

Ceria A. Magdalera <camagdalera@ggrf.com> Tue, May 31, 2022 at 4:26 PM
To: Benjamin Cruz <bjcruz@guamopa.com>, speaker@guamlegislature.org
Cc: "Paula M. Blas" <pmblas@ite.net>, David Burger <daveb@bcmcpa.com>, "Diana T. Bernardo" <dtbernardo@ggrf.com>

Doc Type: 36GL-22-2082
OFFICE OF THE SPEAKER
THERESE M. TERLAJE
-05- 31 2022
Time: 4:24pm
Received:

Honorable Benjamin F. Cruz

Public Auditor

Office of the Public Auditor

Suite 401, DNA Bldg.

238 Archbishop Flores Street

Hagatna, GU 96910

Honorable Therese M. Terlaje

Speaker of the 36th Guam Legislature

163 Chalan Santo Papa

Hagatna, GU 96910

COMMITTEE ON RULES
RECEIVED:
May 31, 2022
5:17 P.M.

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General Accounting Supervisor

(671)475-8931

GGRF - 2021 Citizen Centric Report 5-31-2022.pdf
943K

GOVERNMENT OF GUAM
RETIREMENT FUND
STABILITY · SECURITY · REWARDS

A Report to Our Members

For Fiscal Year 2021 — Issued April 2022

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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 consists of 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.

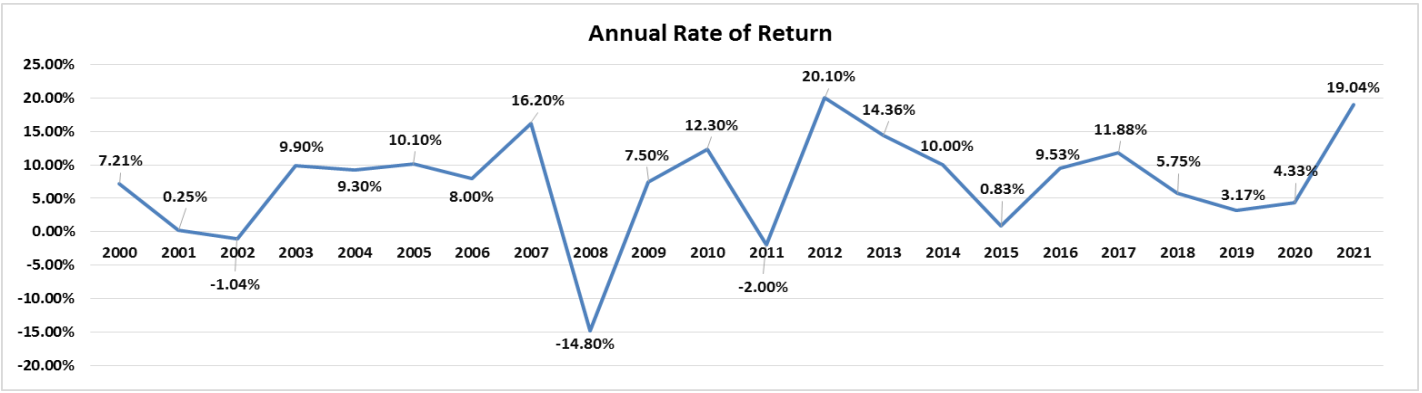
	FY 2021	FY 2020
Participant Counts - DB Plan		
Active	1,215	1,415
Retired	7,440	7,414
Total Actives and Retirees	8,655	8,829
Inactive and Terminated Members with Accumulated Contributions	3,113	3,123
	11,768	11,952
Participant Counts - DC Plan		
Active	7,070	6,810
Inactive (Non-Contributing) Members with Account Balances	7,523	6,820
	14,593	13,630
Participant Counts - DB 1.75 Plan		
Active	2,763	2,898
Retired	197	124
Total Actives and Retirees	2,960	3,022

How We Have Progressed

DEFINED BENEFIT PLAN

	Regular Retirees	Disability Retirees	Retirees Without Survivor Benefits	Regular Survivors	Disability Survivors	Child Stipend
2021	252	4	7	78	5	8
2020	228	3	8	81	6	1

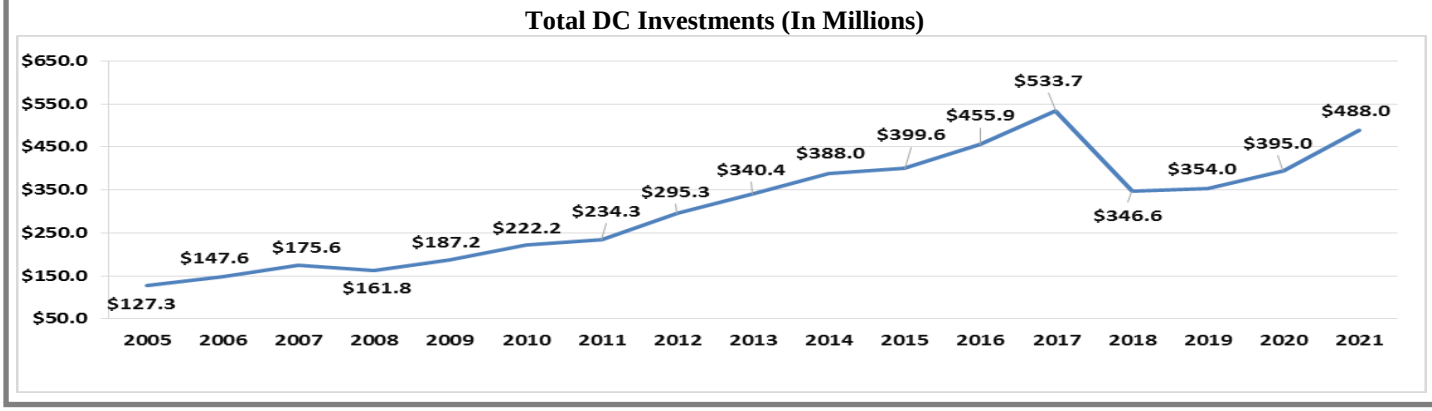
For 2021, the **DB Plan** investment portfolio posted a positive return of 19.04%, compared to 2020's return of 4.33%.



GGRF investment returns averaged 8.42% percent from 1995 through 2021. Over that period, there have been three years with negative returns. Despite the COVID-19 pandemic the 2021 return of 19.04% has been the second highest over the last 10 years.

DEFINED CONTRIBUTION PLAN

For 2021, **DC Plan** investments totaled $488M compared to the $395M in 2020.

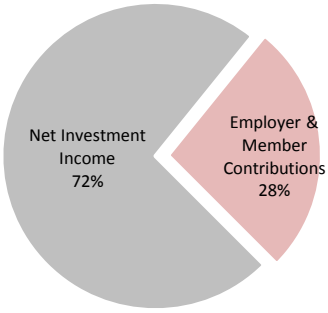


The 2021 increase in the **DB Plan and DC Plan investments** were primarily due to strong financial market returns. This was led by U.S. stock returns which were supported by the approval and mass rollout of COVID-19 vaccines resulting in a gradual normalization of economic activity across most parts of the World.

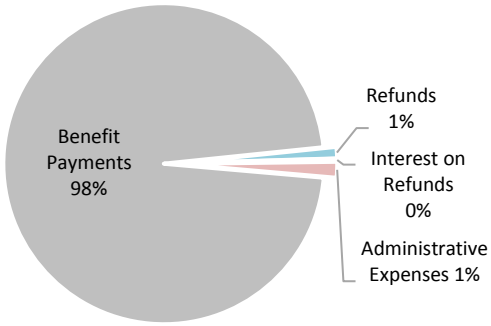
DEFINED BENEFIT PLAN

DB Contributions and Net Investment Income

FY 2021



FY 2021

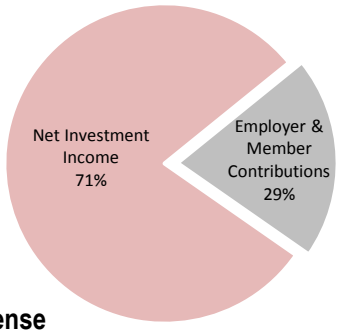


	2021	2020
Net Appreciation in Fair Value of Investments	$340,457,123	$43,652,957
Interest, Dividends & Other Investment Income	36,555,180	41,830,207
Less Investment Expenses	(5,441,584)	(4,604,148)
Net Investment Income	**371,570,719**	**80,879,016**
Employer & Member Contributions	**144,667,191**	**141,128,399**
Total Additions	**516,237,910**	**222,007,415**
Benefit Payments	241,590,111	233,929,231
Refunds	1,940,106	1,981,775
Interest on Refunds	630,421	320,196
Administrative Expenses	3,430,084	3,609,024
Total Deductions	**247,590,722**	**239,840,226**
Net Decrease in Net Assets	**$268,647,188**	**$(17,832,811)**

DEFINED CONTRIBUTION PLAN

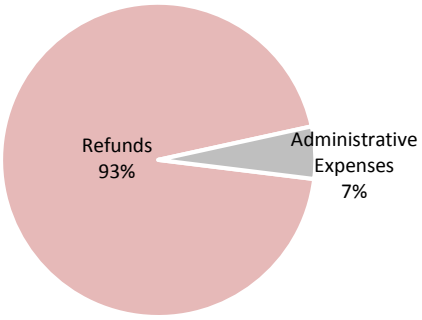
DC Contributions and Net Investment Income

FY 2021



DC Expense

FY 2021



	2021	2020
Net Appreciation in Fair Value of Investments	73,609,791	13,037,292
Interest, Dividends & Other Investment Income	14,195,417	19,364,839
Less Investment Expenses	(139,594)	(134,045)
Net Investment Income	**87,665,614**	**32,268,086**
Employer & Member Contributions	**36,197,632**	**32,960,401**
Total Additions	**123,863,246**	**65,228,487**
Refunds	28,972,455	21,688,909
Administrative Expenses	2,235,920	1,765,301
Total Deductions	**31,208,375**	**23,454,210**
Net Increase in Net Assets	**92,654,871**	**41,774,277**

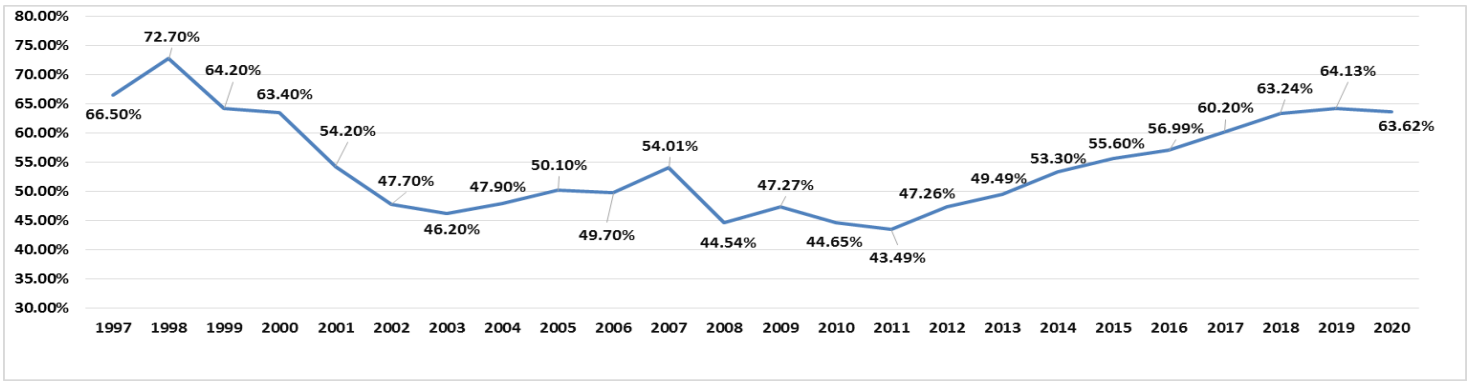
Independent Audit

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

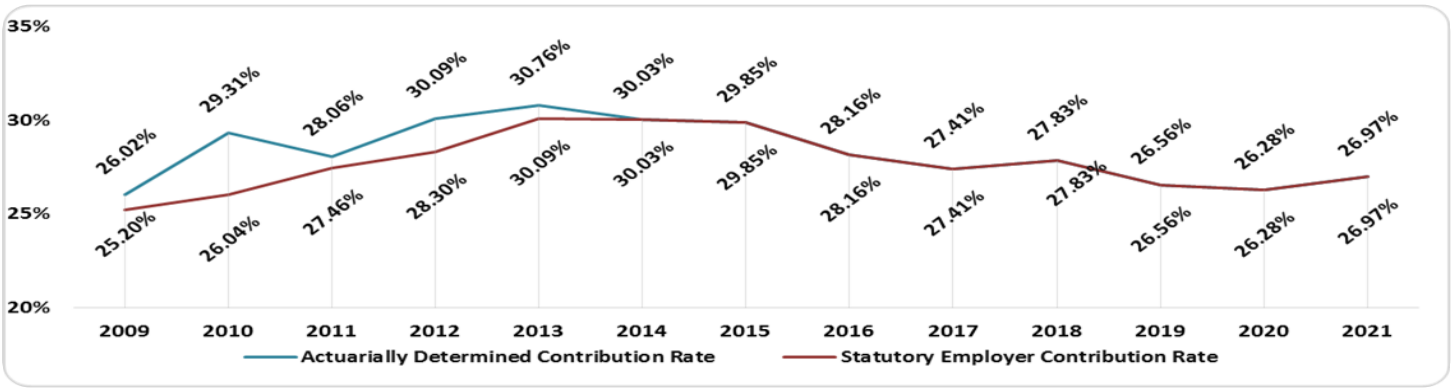
DEFINED BENEFIT PLAN - UNFUNDED LIABILITY & SECURITY RATIO

Underfunding of the DB Plan continues to be an ongoing concern. The unfunded liability has grown from $552 million at September 30, 1995 to $1.17 billion at September 30, 2020. This represents a decrease in the security ratio, from 66.5% in 1997 63.62% in 2020, and an increase in the unfunded liability ratio from 33.5% in 1995 to 36.38% in 2020. The security ratio is the ratio of assets to liabilities.

Security Ratio (% Funded)



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 2021 are reflected below.



FUTURE OUTLOOK

The COVID-19 global pandemic caused unprecedented volatilities in the financial markets. While periods of extreme market volatility can be alarming, the GGRF Board stayed focused on the long-term investment horizon and prudently managed investments in both the DB and DC Plans. These efforts contributed to a strong recovery during the second half of fiscal year 2021.

Looking Forward - The GGRF Board will continue to mitigate the effects of market volatility by working with Investment Consultants to continue to strengthen both the DB and DC Plan investments through diversification.

In the DB Plan, a number of investment managers are utilized within each asset class, allowing the portfolio to achieve broad market exposure while minimizing overall risk. The Board will continue to: conduct quarterly reviews of portfolio performance, annual reviews of investment managers and revisit the asset allocation policy and related statutes to ensure assets are managed in accordance with the following objectives:

1. Ensuring payment of all benefit and expense obligations when due.
2. Maximizing expected return within reasonable and prudent risk levels.
3. Maximizing the probability of achieving the actuarial rate of return assumption.
4. Controlling costs of administering GGRF and managing the investments.

In the DC Plan, investments include core mutual funds and target date funds. The core mutual funds allow members to create their own portfolios based on the type of investments that best fit their time horizon, risk tolerance and investment goals. The Board will also continue to conduct quarterly reviews of the DC Plan investment portfolio performance and rebalance as needed.

The Plans have weathered periods of market volatility and uncertainty in the past. Since the portfolio's inception, the Plans have endured and survived extreme market events stemming from terrorists attacks and global financial crisis. The Board will continue to manage the Plans in the same disciplined manner as it has in the past.

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 website.