



Financial Highlights
Government of Guam Retirement Fund
Fiscal Year 2023

April 18, 2024

The Office of Public Accountability released the Government of Guam Retirement Fund’s (the Fund) Financial Statements, Report on Internal Control over Financial Reporting and Compliance, and Auditor’s Communication with those Charged with Governance for fiscal year (FY) 2023. The Fund closed FY 2023 with a combined increase (net profit) of \$182 Million (M) in net position, from \$2.2 Billion (B) in FY 2022 to \$2.3B in FY 2023. The Defined Benefit (DB) Plan’s net position increased by \$112.7M, and the Defined Contribution (DC) Plan’s net position likewise increased by \$69.2M.

Independent auditors, Burger & Comer P.C. (BC), rendered an unmodified (clean) opinion on the Fund’s financial statements. FY 2023 is the 18th consecutive year that the Fund’s Report on Compliance and Internal Control has neither material weaknesses nor significant deficiencies. There were no management letter comments for FY 2023.

DB Plan & DC Plan Investments

The DB Plan’s investment balances have significantly increased by \$114M (or 6%) from \$1.7B as of September 30, 2022 to \$1.9B as of the end of FY 2023. The rate of return on investments increased to 7.55% in the quarter ending December 31, 2022, from a negative 18.04% in the quarter ending September 30, 2022. The rate of return continued to decrease at the beginning of the quarter ending March 31, 2023, but ended FY 2023 with a positive annual rate of return of 11.34% compared to FY 2022’s negative return of 18.04%. DB Plan investments are managed as a single portfolio because it is expected to exist in perpetuity.

DC Plan investments increased to \$440M for the quarter ending December 31, 2022, and continued to increase from \$467M as of March 31, 2023, to \$476M as of September 30, 2023. There is a \$70M increase (or 17%) in total investments compared with \$406.1M as of FY 2022. Unlike the DB Plan, the DC Plan is not managed as a single portfolio. Each participant selects their own investment strategy, so it is not possible to state what the return is for the DC Plan over a particular time period. See Table 1 for details.

Table 1 – DB Plan & DC Plan Investments Comparative

DB Plan			DC Plan		
Period	Investment Balance (in billions)	Rate of Return	As of	Investment Balance (in millions)	Rate of Return
FY ended 9/30/2022	\$1.76	-18.04%	9/30/2022	\$406	Not Applicable
Quarter ended 12/31/2022	\$1.88	7.55%	12/31/2022	\$440	
Quarter ended 3/31/2023	\$1.93	4.43%	3/31/2023	\$467	
Quarter ended 6/30/2023	\$1.96	2.72%	6/30/2023	\$488	
Quarter ended 9/30/2023	\$1.88	-3.50%	9/30/2023	\$476	
FY ended 9/30/2023		11.34%			

DB Plan Operations

The DB Plan's FY 2023 net position significantly increased (net income) by \$112.7M, compared with FY 2022's decrease (net loss) of \$485.9M. FY 2023's net position of \$1.87B increased from FY 2022's net position of \$1.76B. The increase was primarily attributed to the rise in investments by \$113.9M, due largely to market fluctuations. During FY 2023, the net appreciation (increase) in the fair value of the investment was \$166.4M, compared to the \$427.4M depreciation (decrease) in FY 2022. Overall, the net fair value of investments increased by \$593.7M (or 139%) from FY 2022. This was also due largely to market fluctuations, which resulted in an investment portfolio return of 11.34% for 2023. In FY 2023, employer contributions increased by \$13.1M while both dividends and member contributions decreased by \$1.2M and \$1.3M, respectively.

As of September 30, 2023, the Fund has total outstanding receivables of \$8M from Government of Guam (GovGuam) agencies, which increased by \$540 Thousand (K) from \$ 7.4M as of FY 2022. As of March 20, 2024, receivables from all agencies are current except the receivable from the Department of Administration for the Retiree Supplemental Benefits and Insurance amounting to \$1.96M. This receivable had been outstanding for years. The external auditors, BC, proposed for GGRF to set up a reserve for the collectability of the amount in the Governance Letter. The Government of Guam Retirement Fund (the agency) treated it as a passed adjustment for FY 2023 and will book the entry in FY 2024.

Deductions from the DB Plan increased by \$5M (or 2%), which was mainly due to the increase in benefit payments resulting from increases in age and service annuities of \$3M and survivor annuities of \$1.7M, with a decrease in disability annuities of \$350K. Total membership decreased by 341 and will continue to decrease as members retire.

DC Plan Operations

As of FY 2023, the Plan's net position of \$477.5M increased (net income) by \$69.2M (or 17%) compared with FY 2022's \$408.3M, which was a decrease (net loss) of \$84M. Overall, FY 2023's net position increased by \$153.3M (or 182%) from \$84M in FY 2022. During FY 2023, the net appreciation (increase) in the fair value of investments was \$39.1M compared to the \$115.5M depreciation (decrease) in FY 2022. Overall, the net fair value of investments increased by \$154.5M (or 134%). The appreciation in investments was due largely to market fluctuations.

Deductions from the DC Plan decreased by \$283K due largely to a decrease in refunds to separated employees and withdrawals of \$453K. Total membership increased by 541 and will continue to increase as a result of the recruitment of new employees.

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

The unfunded liability is the present value of the future benefits payable that are not covered by the actuarial value of assets as of the valuation date. The unfunded liability increased from \$1.1B (based on the 2021 actuarial valuation) to \$1.2B (based on the 2022 actuarial valuation). The actuarially determined contribution rate increased from 28.43% to 29.43% due to the net recognition of investment gains and losses over the last three years.

Overall, the unfunded liability has grown from \$552M as at September 30, 1995, to \$1.2B as at September 30, 2022. This represents a decrease in the security ratio (from 66.5% in 1997 to 63.76% in 2022) and an increase in the unfunded liability ratio (from 33.5% in 1995 to 36.24% in 2022). The security ratio is the ratio of assets to liabilities.

According to Title 4 of the Guam Code Annotated §8137, if future contributions equal the actuarially determined contribution rate and plan investments earn 7% each year, the DB plan is expected to become fully funded in 2031, within 80 years– from May 1, 1951. Public Law 33-186 extended this period by two years, from 2031 to 2033.

Based on the 2022 valuation, there are 10.58 years remaining in the funding period. The Fund’s management continues to recommend that the Guam Legislature fully fund the actuarially determined contribution rate each year until full funding is achieved. The uncertainties in the investment markets and the years remaining in the funding period underscore the need for the Legislature to continue to provide full funding each year.

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

As of the end of FY 2023, the Fund recorded a net pension liability of \$6M and an OPEB liability of \$8.6M. These liabilities increased by \$1.4M and decreased by \$2.6K, respectively, from the prior year. Various GovGuam agencies owed the Fund with employer and member contributions and interest and penalties. As of FY 2023, employer contribution receivables including unfunded liability totaled \$5.9M, member contribution receivables totaled \$1.6M and penalties receivables totaled \$95K.

Future Outlook-DB Benefit Payments Contingencies

Five GovGuam employees, who are members of the Fund, filed a complaint against GovGuam and the Fund through the United States of America (the “USA”). The USA filed the complaint on behalf of those five employees and all other employees who were denied service credits for their service time on the Program. GovGuam’s position is that employees are not entitled to retirement service credit under the law while the USA’s position is that the Leave Sharing Statute violates the Unformed Services Employment and Reemployment Rights Act of 1994 (“USERRA”). The Fund may have to assess any potential exposure upon a final court decision.

Subsequent Events-Investments

The market value of the Funds’ invested assets in the DB Plan increased from \$1.9B as at September 30, 2023, to approximately \$2B as at December 31, 2023, or an increase of approximately \$120M (about 6%). Similarly, DC Plan investments increased from \$476M as at September 30, 2023, to \$529M as at December 31, 2023, or an increase of \$53M, or about 11%.

During January and February 2024, approximately \$134M was transferred from the DC Plan to the DB 1.75 Plan. This represented employee and employer contributions for 2,028 employees who transferred to the DB 1.75 Plan effective January 2024.

For a more detailed discussion, refer to the Fund’s Management Discussion and Analysis in their audit report at www.opaguam.org or www.ggrf.com.