GOVERNMENT OF GUAM RETIREMENT FUND

Financial Statements

September 30, 2001 and 2000

(Together with Independent Auditors' Report Thereon)

BURGER & COMER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Government of Guam Retirement Fund:

We have audited the accompanying financial statements of the Government of Guam Retirement Fund (the Fund), a component unit of the Government of Guam, administered by the Government of Guam Retirement Fund Board of Trustees (the Board) as of September 30, 2001 and 2000 and for the years then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Fund administered by the Board as of September 30, 2001 and 2000, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information listed as supplemental schedules on pages 18 to 21 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2003 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Burger & Comer, P.C.

Tamuning, Guam
June 14, 2003

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Plan Net Assets

September 30, 2001 and 2000

ASSETS	Defined Benefit	Defined Contribution	Total 2001	Total 2000
Investments, at fair value:				
Common stocks	$ 424,437,915	-	424,437,915	557,790,013
U.S. Government securities	349,995,394	-	349,995,394	400,969,585
Corporate bonds and notes	381,857,654	-	381,857,654	335,126,800
Money market funds	72,774,792	-	72,774,792	40,501,216
Mutual funds	-	57,181,389	57,181,389	63,925,657
DC plan forfeitures	-	4,039,273	4,039,273	2,882,521
Total investments	1,229,065,755	61,220,662	1,290,286,417	1,401,195,792
Receivables:				
Employer contributions, net	10,128,177	2,054,648	12,182,825	2,084,803
Member contributions	5,738,764	508,187	6,246,951	2,975,724
Accrued investment income	11,722,775	-	11,722,775	10,028,387
Due from brokers for unsettled trades	8,883,863	-	8,883,863	6,756,192
Note receivable from GMHA, net (note 5)	-	-	-	129,236
Notes receivable for service credits	9,071,704	-	9,071,704	9,434,456
Notes receivable - ERIP	14,364,938	-	14,364,938	14,144,655
Receivable - ERIP Employer's share	24,927,244	-	24,927,244	28,670,671
Supplemental/COLA benefits receivable	82,625,533	-	82,625,533	53,317,820
Other receivables	6,398,566	70,566	6,469,132	4,521,992
Due from other funds	420,993	-	420,993	420,993
Total receivables	174,282,557	2,633,401	176,915,958	132,484,929
Cash and cash equivalents	7,426,729	2,156,733	9,583,462	6,775,394
Property and equipment	1,562,115	-	1,562,115	1,392,189
Total assets	$ 1,412,337,156	66,010,796	1,478,347,952	1,541,848,304
LIABILITIES				
Bank overdraft	2,136,672	-	2,136,672	1,260,485
Deferred revenue for service credits	48,363,887	-	48,363,887	52,240,416
Accounts payable and accrued expenses	2,465,004	2,364,111	4,829,115	2,481,249
Insurance premiums payable	-	222,712	222,712	270,991
Due to brokers for unsettled trades	5,124,234	-	5,124,234	13,516,246
Due to other funds	-	420,993	420,993	420,993
Total liabilities	58,089,797	3,007,816	61,097,613	70,190,380
Net assets available for benefits	$ 1,354,247,359	63,002,980	1,417,250,339	1,471,657,924

See accompanying notes to financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Changes in Plan Net Assets

Years ended September 30, 2001 and 2000

	Defined Benefit	Defined Contribution	Total 2001	Total 2000
Investment income				
Net appreciation (depreciation) in fair value of investments	$ (50,267,835)	(11,017,253)	(61,285,088)	33,313,464
Interest	52,783,448	3,325,658	56,109,106	53,289,641
Dividends	8,462,434	-	8,462,434	9,418,205
Other investment income	1,083,611	-	1,083,611	984,581
	12,061,658	(7,691,595)	4,370,063	97,005,891
Less investment expenses	3,005,405	-	3,005,405	3,294,269
Net investment income	9,056,253	(7,691,595)	1,364,658	93,711,622
Contributions				
Employer	66,047,627	6,892,699	72,940,326	75,303,164
Member	25,381,481	6,893,983	32,275,464	35,668,308
Total contributions	91,429,108	13,786,682	105,215,790	110,971,472
TOTAL ADDITIONS	100,485,361	6,095,087	106,580,448	204,683,094
Benefit payments				
Age and service annuities	123,120,531	-	123,120,531	115,020,229
Disability annuities	9,418,140	-	9,418,140	9,629,395
Survivor annuities	12,063,240	-	12,063,240	11,069,121
Insurance	308,179	-	308,179	248,493
Total benefit payments	144,910,090	-	144,910,090	135,967,238
Refunds to separated employees	7,878,156	4,672,082	12,550,238	17,785,898
Balances transferred to DC Plan	9,002,074	(9,002,074)	-	-
Administrative and general expenses	3,058,671	469,034	3,527,705	4,233,300
TOTAL DEDUCTIONS	164,848,991	(3,860,958)	160,988,033	157,986,436
Net increase (decrease) in plan net assets	(64,363,630)	9,956,045	(54,407,585)	46,696,658
Net assets available for benefits at beginning of year	1,418,610,989	53,046,935	1,471,657,924	1,424,961,266
Net assets available for benefits at end of year	$ 1,354,247,359	63,002,980	1,417,250,339	1,471,657,924

See accompanying notes to financial statements.

(1) Description of the Fund

The following brief description of the Government of Guam Retirement Fund (GGRF) is provided for general information purposes only. Members should refer to Title 4, Chapter 3, Articles 1 and 2 of the Guam Code Annotated for more complete information.

Purpose

The Government of Guam Retirement Fund (GGRF) was enacted and became operative on May 1, 1951 to provide retirement annuities and other benefits to employees of the Government of Guam. The Board of Trustees is responsible for the general administration and proper operation of the Fund. The Board of Trustees comprises five members, appointed by the Governor with the advice and consent of the Legislature. Three of the member trustees are employees with at least five years of service credit as members of the GGRF. The GGRF is accounted for as a blended component unit, fiduciary fund type, pension trust fund of the Government of Guam.

(2) Description of the Defined Benefit Plan

Membership

The Defined Benefit Plan (DB) is a single-employer defined benefit pension plan and membership is mandatory for all employees in the service of the Government of Guam on the operative date. Persons becoming employees after the effective date are members as a condition of employment.

The following employees have the option of accepting or rejecting membership and become members only upon submission of a written request to the Board for membership.

1. Employees hired for a definite agreed term or who at the time of employment are not domiciled on Guam.
2. Employees of a public corporation of the Government of Guam or of the University of Guam.
3. Any employee whose employment is purely temporary, seasonal, intermittent or part time.

(2) Description of the Defined Benefit Plan, continued

Ineligible Persons

The following employees are not eligible for membership:

1. Persons whose services are compensated on a fee basis.
2. Independent contractors.
3. Persons whose employment is for a specific project.
4. Persons who are employed in the Senior Citizens Community Employment Program.

At September 30, 2000, the latest actuarial valuation date, membership is as follows:

Retirees and beneficiaries receiving benefits	6,094
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	6,807
	12,901

Contributions

Contributions are set by law. Member contributions are required at 9.5% of base pay. Employer contributions are required at 18.6% and 19.675% of covered payroll for the years ended September 30, 2001 and 2000, respectively.

Retirement, Disability and Survivor Benefits

Under the defined benefit plan, retirement benefits are based on age and/or years of credited service and an average of the three highest annual salaries received by a member during years of credited service, or $6,000, whichever is greater.

Members who joined the DB plan prior to October 1, 1981, may retire after 10 years of service at age 60 (age 55 for uniformed personnel) or completion of 25 years of service at any age. Members may retire after 20 years of service regardless of age with a reduced benefit.

(2) Description of the Defined Benefit Plan, continued

Service Benefit Formula

The basic retirement benefit is computed as the sum of the following:

1. An amount equal to two percent (2%) of the average annual salary for each of the first ten years of credited service and two and one-half percent (2.5%) of average annual salary for each year or part thereof of credited service over ten years.
2. An amount equal to twenty dollars ($20) multiplied by each year of credited service, the total of which is reduced by an amount equal to one hundredth of one percent (.01%) of said total for each one dollar ($1) that a member's average annual salary exceeds six thousand dollars ($6,000).

The basic annuity is limited to a maximum of eighty-five percent (85%) of the average annual salary, and cannot be less than one thousand two hundred dollars ($1,200) per year.

Disability

Members under the age of sixty-five with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive sixty six and two-thirds percent (66-2/3%) of the average of their three highest annual salaries received during years of credited services.

Survivor

In the event of death of a member who completed at least 3 years of total service, the following benefits are payable:

1. Spouse – annual benefit is equal to fifty percent (50%) of the disability or service retirement benefit earned by the member.
2. Minor children – Basic benefit is $2,160 per year for a minor child up to 18 years of age (age 24 if a full-time student).

(2) Description of the Defined Benefit Plan, continued

Separation from the DB Plan

Upon complete separation from service before attaining at least 20 years of total service, a member is entitled to receive a refund of total contributions including interest.

A member who withdraws after completing at least 5 years of service has the option of leaving contributions in the GGRF and receives a service retirement benefit upon attainment of the age of 60 years.

(3) Description of the Defined Contribution Retirement System

Purpose

The Defined Contribution Retirement System (DCRS) 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 GGRF Board of Trustees is responsible for the general administration and operation of the fund. The DCRS, by its nature, is fully funded on a current basis from employer and member contributions.

Membership

The DCRS 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.

Existing members of the GGRF with less than twenty years service credit may, upon written election, voluntarily elect membership in the DCRS. This option was available for two years after enactment of the legislation. After making the election to transfer, the employee may not change the election or again become a member of the GGRF.

Ineligible Persons

Employees ineligible for membership in the GGRF are also ineligible for membership in the DCRS.

(3) Description of the Defined Contribution Retirement System, continued

Contributions

Member and employer contributions are set by law at five percent (5%) of base pay.

Separation from the DCRS

Any member who leaves government service after attaining 5 years but less than 20 years of total service is entitled to receive their total contribution plus 100% of the employer contribution and any earnings after attaining the age of 55.

Any member who leaves government service below the age of 55, with 5 years but less than 20 years of total service is entitled to receive their total contribution plus any earnings thereon.

(4) Summary of Significant Accounting Policies

Method of Accounting

The financial statements presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through September 30, 2001 and 2000 are accrued. With the exception of amounts due from the Guam Memorial Hospital Authority under a promissory note, these contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in Government of Guam Code Annotated.

Cash

At September 30, 2001 and 2000, the GGRF has cash balances in banks of approximately $7.9 million and $9.8 million, respectively, of which $200,000 is insured by the Federal Deposit Insurance Corporation. The remaining balances are collateralized by securities held by a trustee in the name of the financial institution.

(4) Summary of Significant Accounting Policies, continued

Investments

Investments include U.S. Federal Government and agency obligations, foreign government obligations, real estate, commercial mortgages, corporate debt, and equity instruments. Investments are reported at fair value. Security transactions and any resulting gains or losses are accounted for on a trade date basis.

The Fund's investments may be categorized as either (1) insured and registered for which the securities are held by the Fund or its agent in the Fund's name, (2) uninsured and registered for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the Fund's name. At September 30, 2001 and 2000 all of the Fund's investments are classified in category (1).

Investments other than real estate, commercial mortgages and other loans, and municipal revenue bonds are reported at market values determined by the custodial agents. The agent's determination of market values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Commercial mortgages and other loans and municipal revenue bonds have been valued on an amortized cost basis, which approximates market or fair value. No allowance for loan loss has been provided as all loans and bonds are considered by management to be fully collectible. Short-term investments are reported at cost, which approximates market value. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments based on anticipated maturity dates and current interest rates commensurate with the investment's degree of risk.

First Hawaiian Bank holds the investments as custodian in the Fund's name. In addition, the Fund has selected investment managers who are given authority to purchase and sell securities in accordance with the following guidelines:

A. Investment managers may invest in U.S. and non-U.S. common stocks, American Depository Receipts (ADRs), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities.

(4) Summary of Significant Accounting Policies, continued

1. U.S. equities:

   a. Equity holdings are restricted to readily marketable securities of corporations that are actively traded on the major U.S. exchanges and over the counter.
   b. Common and preferred stock:
      i. The issuing institution has reported a profit in at least four of the five fiscal years preceding the date of investment, or alternatively in at least seven of the ten fiscal years preceding the date of investment.
      ii. The issuing institution has paid a cash dividend on its common or capital stock in at least four of the five years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.
      iii. Total cash dividends have not exceeded total earnings in five years preceding the date of investment.
      iv. On the date of investment, the issuer is not in default in payment of principal or interest on any of its publicly held bonds or other evidence of indebtedness, and any contingent interest, cumulative and non-cumulative preferred dividends and dividends on prior common or capital stock have been paid in full.
      v. Preferred stock must also adhere to the following:

         The net earnings of the institution available for fixed charges over a period of five fiscal years preceding the date of investment have averaged per year, and during either of the last two years have been, after depreciation and after income taxes, no less than:

         1. Two times its average annual fixed charges, maximum contingent interest and preferred dividend requirements over the same period, in the case of any public utility company; or,

         2. Three times its average annual fixed charges, maximum contingent interest and preferred dividend requirements over the same period, in the case of any other company.

(4) Summary of Significant Accounting Policies, continued

2. U.S. Fixed Income:

   b. All fixed income securities held in the portfolio must have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. Government agencies are qualified for inclusion in the portfolio.
   c. No more than twenty percent (20%) of the market value of the portfolio may be rated less than single "A" quality, unless the manager has specific written authorization. Eighty percent (80%) of the fixed income portfolio must be in bonds of credit quality equal to or greater than "A".
   d. Total portfolio quality (capitalization weighted) must maintain an "A" minimum rating.
   e. In case such bonds or other evidence of indebtedness are not so rated by two nationally recognized and published rating services, the net earnings available for fixed charges over a period of five fiscal years preceding the date of investment have averaged per year and during either of the last two years have been, after depreciation and after taxes, not less than:
      i. Two times its average annual fixed charges over the same period, in the case of any public utility company;
      ii. One and one-half times its average annual fixed charges over the same period, in the case of any financial company; or,
      iii. Three times its average annual fixed charges over the same period, in the case of any other company.

   f. With the written petition and subsequent written approval of the Trustees, opportunistic investment bonds issued by national governments other than the United States or foreign corporations may comprise up to six percent (6%) of each fixed-income manager's portfolio. In no case shall these investments exceed three and one-half percent (3.5%) of the total GGRF investments. All non-U.S. securities will be, in the judgment of the investment managers, of credit quality equal or superior to the standards described above.

(4) Summary of Significant Accounting Policies, continued

3. Non-U.S. Equities

   a. Common or capital stock of any institution or entity created or existing under the laws of any foreign country are permissible investments, provided that:
      i. The issuing institution has reported a profit in at least four of the five fiscal years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.
      ii. The issuing institution has paid a cash dividend on its common or capital stock in at least four of the five years preceding the date of investment, or alternatively, in at least seven of the ten fiscal years preceding the date of investment.
      iii. Total cash dividends have not exceeded total earnings in five years preceding the date of investment.
      iv. On the date of investment, the issuer is not in default in payment of principal or interest on any of its publicly held bonds or other evidences of indebtedness, and any contingent interest, cumulative and non-cumulative preferred dividends and dividends on prior common or capital stock have been paid in full.
   b. Consistent with the desire to maintain broad diversification, allocations to any country, industry or other economic sector should not be excessive.

4. Cash and Cash Equivalents

   a. Cash equivalent reserves must consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposit, time deposits, and repurchase agreements are also acceptable investment vehicles. All other securities will be, in the judgment of the investment managers, of credit quality equal or superior to the standards described above.
   b. No single issue shall have a maturity of greater than two years.
   c. The cash portfolio shall have a maturity of less than one year.
   d. Any idle cash not invested by the investment managers shall be invested daily through an automatic sweep managed by the custodian.

(4) Summary of Significant Accounting Policies, continued

B. No investment management organization shall have more than twenty-five percent (25%) of the GGRF's assets under its direction.
C. No individual security of any issuer, other than that of the United States government or Government of Guam, shall constitute more than five percent (5%), at cost, of the total GGRF or of any investment manager's portfolio.
D. Holdings of any issuer must constitute no more than five percent (5%) of the outstanding securities of such issuer.
E. Investments in a registered mutual fund managed by the investment manager are subject to prior approval of the Board of Trustees.
F. The following securities and transactions are not authorized: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; and, short sales origin transactions. Options and futures are restricted, except by petition to the Trustees for approval.

Income Taxes

The Fund is a public employees' retirement system and an autonomous agency of the Government of Guam. Accordingly, the Fund is not subject to income taxes.

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions that are attributable under the Fund's provisions to the service members have rendered through the most recent actuarial valuation date (September 30, 2000).

Accumulated plan benefits include benefits expected to be paid to (i) retired, disabled, and terminated employees and their beneficiaries, (ii) beneficiaries of employees who have died, and to (iii) present employees and their beneficiaries. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included, to the extent they are deemed attributable to employee service rendered through September 30, 2000.

The actuarial present value of accumulated plan benefits is determined by an independent actuarial firm and is the amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawals, or retirement) between the most recent actuarial valuation date (September 30, 2000), and the expected date of payment.

(4) Summary of Significant Accounting Policies, continued

The significant actuarial assumptions used to calculate the actuarial present value of accumulated plan benefits are presented below, and are based on the assumption that the Fund will continue in operation. Were the Fund to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

Actuarial Cost Method:	Entry age normal
Valuation of Assets:	Market value, including accrued but unpaid contributions, with fixed income investments at amortized cost
Investment Income:	8% per year.
Salary Increase:	Graded based on service with the Government ranging from 4.0% for service in excess of 21 years to 8.5% for service from zero to five years
Total Payroll Growth:	4.5%
Expenses:	Administrative expenses of the prior year. For 2000, assumed to be 1.54% of covered defined benefit payroll
Mortality:	1983 Group Annuity Mortality for males set forward two years for males and no set forward for females
Disability:	1974-78 SOA LTD Non-Jumbo with rates increased for males by 30%
Retirement Age:	80% probability of retirement at earliest age of eligibility for unreduced retirement benefits; remaining are assumed to retire at age 60
Credited Service:	Active participant liabilities and costs loaded by 1.6% for estimated cost of those members purchasing additional credited service in accordance with Fund provisions. Additional 2% for unknown but assumed errors in data files.

(4) Summary of Significant Accounting Policies, continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture and fixtures	3 years
Automobiles	5 years
Buildings	30 years
Improvements	5-10 years
Equipment	1-5 years

Administrative expenses include depreciation and amortization expense of $(167,030) and $351,945 in 2001 and 2000, respectively. The 2001 negative expense is a result of over-depreciation in previous years.

(5) Related Party Transactions

In March 1998, the GGRF accepted a promissory note from Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam. The note was originally in the amount of $9,385,720 and bears interest at the bank's prime rate plus 1%, with a floor amount of 8%. The note was executed for the outstanding balance of a previously executed promissory note and for contributions owed to the GGRF as of February 28, 1998, along with related penalties and interest. Payments were to begin on March 30, 1998. At September 30, 2001 and 2000 the balance on the note was $7,748,022 and $8,129,236, respectively. Management established a reserve of $8,000,000 at September 30, 2000 due to the uncertainty of collection of this balance. The reserve was decreased during the year ended September 30, 2001 to equal the balance of the receivable.

(6) Property and Equipment

Property and equipment at September 30, 2001 and 2000 were as follows:

	2001	2000
Building	$ 1,130,186	1,130,186
Improvements	705,677	705,677
Equipment	828,598	828,598
Land	439,428	439,428
Furniture and fixtures	318,818	315,921
Automobiles	27,986	27,986
Other	5,200	5,200
	3,455,893	3,452,996
Less: Accumulated depreciation	(1,893,778)	(2,060,807)
	$ 1,562,115	1,392,189

(7) Supplemental Annuities and COLA Payments

Public Law 25-72, passed in September 1999, required the payment of supplemental annuities and cost of living allowances (COLA) to retirees. P.L. 25-72 also specified that these payments were an obligation of the General Fund and not of the GGRF. The cost of these benefits is to be paid through increased contributions over a period of twenty years.

During the year ended September 30, 1999 the GGRF paid out more than $31 million for supplemental annuities and COLA payments. The GGRF collected approximately $3 million for these payments from autonomous agencies and approximately $15 million from line agencies. At September 30, 1999 the amount receivable from Government of Guam agencies totaled $13,300,162.

During the year ended September 30, 2000 the GGRF paid out approximately $32.3 million for supplemental annuities and COLA payments. Of the employer contributions received in fiscal year 2000, approximately $4.2 million was allocated to the reduction of the receivable for these benefits.

During the year ended September 30, 2001 the GGRF paid out approximately $34.0 million for supplemental annuities and COLA payments. Of the employer contributions received in fiscal year 2001, approximately $4.0 million was allocated to the reduction of the receivable for these benefits.

(7) Supplemental Annuities and COLA Payments, continued

Since the GGRF is simply acting as a paying agent for these benefits, the payment of the benefits and their subsequent collection should not increase of decrease plan net assets.

During fiscal year 1999, the Government of Guam appropriated $12 million to pay for a portion of the $31 million that the GGRF paid for supplemental annuities and COLA payments. Public Law 25-122, passed in May 2000, reallocated $12 million from the payment of supplemental annuities and COLA to regular employer contributions.

Since the $12 million collected in fiscal year 1999 was used to reduce the receivable at September 30, 1999, this reallocation required the receivable for supplemental annuities and COLA payments to be increased by $12 million. The offset was recorded as a reduction of employer contributions receivable from the general fund and line agencies.

The receivable for supplemental annuities and COLA payments is being reduced by a portion of the employer contributions received. The percentage used for fiscal year 2001 was 1.25% of covered payroll and for fiscal year 2000 the rate was 1.11% of covered payroll.

(8) Early Retirement Incentive Program (ERIP)

Public Law 24-327, as amended by Public Laws 25-2, 25-3, 25-72, 25-74, 25-90, 25-98 and 25-99 became effective December 30, 1998. This law allowed GGRF members with at least twenty years of creditable service to retire and to purchase up to five years of creditable service. Those electing to participate in the ERIP must pay the members' share of the required contribution, plus interest, based on their salary at the time they made the election. Payments can be made in full or can be financed through deductions from annuities over a period not to exceed fifteen years.

The time allowed for making the election and retiring was from December 30, 1998 to January 7, 2000. During this period, approximately eight hundred (800) members elected to participate in this program and signed promissory notes totaling nearly $15 million. At September 30, 2001 and 2000 the amount owed under these notes was $14,364,938 and $14,144,655, respectively. There is a corresponding deferred revenue account to offset these notes receivable, since contribution income is recognized on a cash basis as amounts are collected from the retirees.

(8) Early Retirement Incentive Program (ERIP), continued

The government's share of these required contributions has been recognized in the accompanying statement of net assets as "Receivable – ERIP employer's share" and amounted to $24,927,244 and $28,670,671 at September 30, 2001 and 2000, respectively. This receivable is offset by deferred revenue in the same amount. Contribution income is recognized on a cash basis as amounts are collected from the employer agencies.

The receivable for the government's share of required contributions is being reduced by a portion of the employer contributions received. The statutory percentage for fiscal years 2001 and 2000 was 1.12% of covered payroll.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Funding Progress

September 30, 2001

Actuarial Valuation as of September 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a percentage of Covered Payroll
1991	$ 532,031,203	$ 1,151,609,685	$ 619,578,482	46.2%	$ 321,580,393	192.7%
1992	617,736,989	1,290,723,919	672,986,930	47.9%	345,240,093	194.9%
1993	703,442,774	1,429,838,154	726,395,380	49.2%	368,899,793	196.9%
1994	784,228,607	1,423,514,217	639,285,610	55.1%	362,944,815	176.1%
1995	865,014,439	1,417,190,280	552,175,841	61.0%	356,989,837	154.7%
1996	1,039,360,363	1,621,028,990	581,668,627	64.1%	373,494,919	155.7%
1997	1,213,706,286	1,824,867,699	611,161,413	66.5%	390,000,000	156.7%
1998	1,287,157,129	1,770,851,501	483,694,372	72.7%	407,550,000	118.7%
1999	1,346,204,661	2,096,616,994	750,412,333	64.2%	363,710,950	206.3%
2000	1,348,760,812	2,126,149,616	777,388,804	63.4%	374,551,304	207.6%

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Employer Contributions

September 30, 2001

Year Ended September 30	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
1991	$ 95,626,462	$ 47,981,639	50.2%
1992	101,997,881	51,178,569	50.2%
1993	113,004,409	57,762,706	51.1%
1994	108,474,825	66,591,020	61.4%
1995	89,717,590	76,491,049	85.3%
1996	80,204,912	75,976,487	94.7%
1997	64,262,185	67,976,263	105.8%
1998	57,162,473	78,727,824	137.7%
1999	77,663,514	72,120,965	92.9%
2000	85,623,203	68,677,714	80.2%
2001	117,856,000	66,047,627	56.0%

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Administrative and General Expenses - Defined Benefit Plan

Years ended September 30, 2001 and 2000

	2001	2000
Salaries and wages	$ 1,582,805	1,610,442
Employer's retirement contribution	297,620	289,786
Actuary fees	274,555	193,489
Interest	267,007	582,243
Program services/maintenance	243,000	243,000
Computers and software	197,765	-
Insurance	102,125	81,949
Printing and publications	64,340	49,475
Utilities	62,342	54,784
Repairs and maintenance	57,314	68,376
Medical exams	53,649	28,643
Miscellaneous	51,078	47,110
Legal fees	31,930	133,378
Communications	29,954	31,469
Audit fees	29,056	27,344
Postage	28,639	36,838
Travel and transportation	26,519	5,628
Medicare contribution	26,032	20,185
Equipment rental	18,377	-
Medical consultant	10,950	9,413
Office supplies	9,111	12,810
Contract services	8,985	37,598
Training	4,526	9,533
Bad debts	(251,978)	-
Depreciation	(167,030)	351,946
	$ 3,058,671	3,925,439

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Personnel Costs

Years ended September 30, 2001 and 2000

	2001	2000
Salaries and wages	$ 1,582,805	1,610,442
Employer's retirement contribution	297,620	289,786
Medicare contribution	26,032	20,185
	$ 1,906,457	1,920,413
Average number of employees	48	48

See accompanying independent auditors' report.