GOVERNMENT OF GUAM RETIREMENT FUND

FINANCIAL STATEMENTS

September 30, 2015

(Together with Independent Auditors' Report Thereon)

GOVERNMENT OF GUAM RETIREMENT FUND

September 30, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Government of Guam Retirement Fund:

Report on the Financial Statements

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"), which comprise the statement of plan net position and statement of changes in plan net position as of and for the year ended September 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Government of Guam Retirement Fund as of September 30, 2015, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 26, the Schedule of Changes in Net Pension Liability on page 58, the Schedule of Net Pension Liability by Agency on page 59, the Schedule of Contributions on page 60, and the Schedule of Investment Returns on page 61 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying information listed as supplemental schedules on pages 62 to 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedules on pages 62 to 66 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules on pages 62 to 66 are fairly stated in all material respects in relation to the financial statements as a whole.

The schedule on page 67 present information about the Government of Guam Deferred Compensation Plan. This information is not a required part of the financial statements and is not included in the financial statements. The assets of this plan belong solely to the plan participants, and they are fully vested in such assets. We have not audited this information and we do not express an opinion or provide any assurance on the information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the Government of Guam Retirement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Government of Guam Retirement Fund's internal control over financial reporting and compliance.

Burger Comer Magliari

Tamuning, Guam
February 19, 2016

GOVERNMENT OF GUAM RETIREMENT FUND

Management's Discussion and Analysis

September 30, 2015

Management of the Government of Guam Retirement Fund ("GGRF") offers readers of the financial statements the following discussion and analysis of GGRF's financial activities for the fiscal year ended September 30, 2015. This narrative should be reviewed in conjunction with the financial statements and related notes, which follow this section. It provides management's insight into the results of operations of the last two fiscal years, and highlights specific factors that contributed to those results.

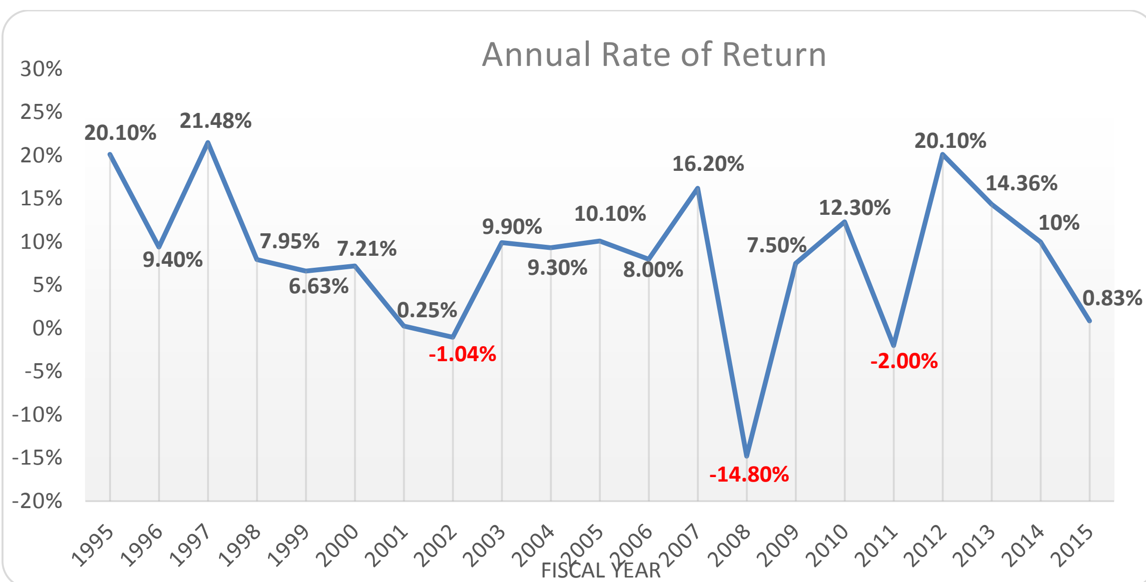
(1) Financial Highlights

- **Impact of Market Volatility on Net Position**
  For 2015, net position of the Defined Benefit Plan (DB Plan) decreased by $54.1M or 3.3%, while net position of the Defined Contribution Plan (DC Plan) increased by $10.8M or 2.8%.

- **Impact of Market Volatility on the DB Plan and DC Plan Investments**
  Following the 2008 investment losses, the global markets showed signs of recovery over the last six years.

  For 2015, **DC Plan** investments totaled $399M compared to the $388M in 2014.

  For 2015, the **DB Plan** investment portfolio posted a positive return of .83%, compared to 2014's return of 10%.



GGRF investment returns averaged 8.3% percent from 1995 through 2015. Over that period, there have been three years with negative returns, all of which occurred in the last twelve years.

(1) Financial Highlights, continued

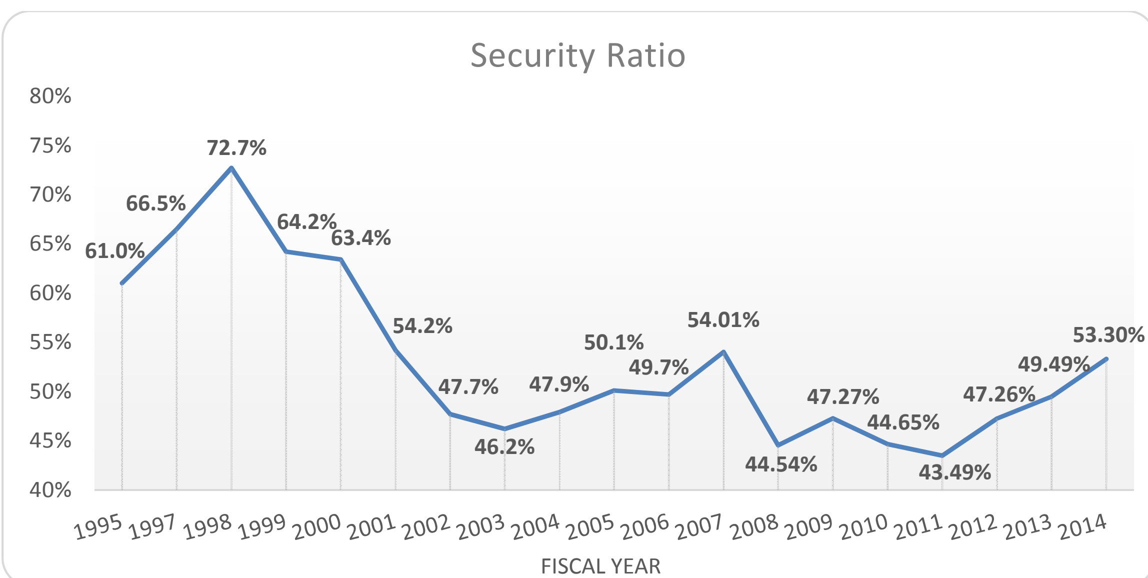
- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability**

  The unfunded liability decreased from $1.44 billion (based on the 2013 actuarial valuation) to $1.37 billion (based on the 2014 actuarial valuation). This resulted in a corresponding decrease in the actuarially determined contribution rate from 29.85% to 28.16%. The unfunded liability is the present value of future benefits payable that are not covered by the actuarial value of assets as of the valuation date.

  When the 2015 actuarial valuation is finalized in March 2016, the actuarially determined contribution rate is estimated to be 27.75%. However, it should be noted that this is a rough estimate, which could change significantly. The actuarially determined contribution rate is expected to be lower than the 2014 actuarial rate of 28.16%, due to the recognition of investment gains and losses that have occurred over the past 3 years. However, the 2015 actuarial valuation is not yet completed, and the actuarially determined contribution rate could be higher or lower than the 27.75%, due to other contributing factors.

  As noted in prior year reports, underfunding of the DB Plan continues to be an ongoing problem. The unfunded liability has grown from $552 million at September 30, 1995 to $1.37 billion at September 30, 2014. This represents a decrease in the security ratio, from 61.0% in 1995 to 53.3% in 2014, and an increase in the unfunded liability ratio from 39% in 1995 to 46.7% in 2014. The security ratio is the ratio of assets to liabilities.

  As indicated below, the **security ratio** (fund assets as a percentage of accrued liability) for the past nineteen years has ranged from 43.49% to 72.7%, representing an average of 53% per year.



(1) Financial Highlights, continued

- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability, Continued**

  According to our actuary Milliman Inc., security ratios for public pension funds vary depending upon the assumed rate of future investment returns as well as the period over which investment gains and losses are recognized. In addition, security ratios for public pension plans in the U.S. tend to be between 60% to 90%, with many concentrated around 70%. GGRF has a lower security ratio than most U.S. funds.

  Pursuant to 4 GCA Chapter 8, Section 8137, the unfunded liability is to be completely funded within 80 years from May 1, 1951. Based on the 2013 valuation, there are 17.58 years remaining in the funding period. As stated in prior years' Management's Discussion and Analysis (MD&A), "the unfunded liability is now so large that it simply cannot be ignored or put off for future generations to contend with. The longer the Government of Guam ("GovGuam") defers its obligation to provide full funding, the worse the problem becomes".

  Management continues to recommend that the Guam Legislature fully fund the actuarially determined contribution rate each year. The uncertainties in the investment markets, and the years remaining in the funding period underscores the need for the Guam Legislature to fully recognize the magnitude of the problem and provide full funding each year.

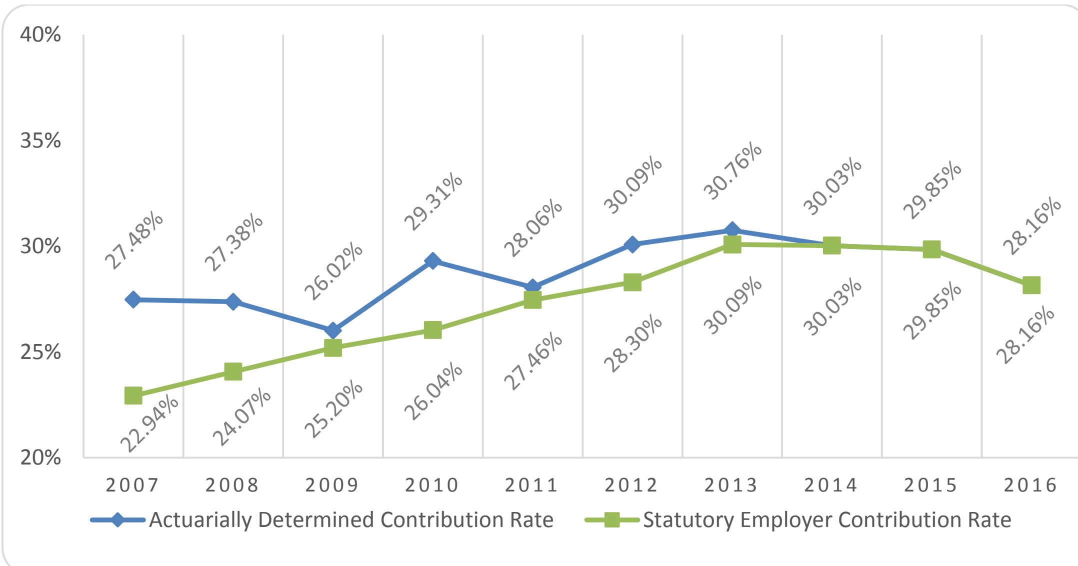
  While full funding has not occurred, management commends both the current and past Administrations and the Guam Legislature for its efforts towards attaining full funding.

  According to Milliman Inc., employer contribution rates vary widely among public pension funds due to the level of benefits provided, the security ratio (funded percentage), the assumed rate of future investment returns, and the period of time over which unfunded liabilities are amortized. In addition, typical employer contribution rates range from 12.5% to 35% or more. GGRF's contribution rate is at the high end of the range, due to a lower security ratio (funded percentage) than most other funds.

(1) Financial Highlights, continued

- **Critical Issue – Impact of Market Volatility on the DB Plan Unfunded Liability, Continued**

A comparison of the actuarially determined contribution rates versus the statutory employer contribution rates for 2007 to 2015 are reflected below.



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.The Guam Legislature's efforts toward full funding since 2007 have definitely 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. For 2014 to 2016, the statutory rate is equal to the actuarially determined contribution rate. Management encourages the Guam Legislature to continue to set the statutory rate at the actuarially determined contribution rate until full funding is achieved.

(1) Financial Highlights, continued

- **Critical Issue – Impact of Late Contributions by GMHA**

  As summarized below, since October 9, 2015 GMHA was delinquent in the remittance of both member and employer contributions to GGRF for both the DB and DC Plans.

	Total
DB Plan	$3,252,258
DC Plan	1,056,999
457 Deferred Compensation	236,940
Total	**$4,546,197**
Member Contribution	$ 963,036
Employer Contribution	1,171,938
Employer Contribution for Unfunded Liability	2,375,331
Interest & Penalties	35,892
Total	**$4,546,197**

As of February 19,2016, GMHA owes GGRF a total of $4.5M consisting of approximately $3.3M for the DB Plan, $1.0M for the DC Plan, and $.2M for the 457 Deferred Compensation Plan.

Not only does GMHA's failure to make timely remittances have a negative effect on GGRF, but also on GMHA and its employees as noted below:

1. GMHA's delinquency has resulted in GGRF liquidating DB Plan investments in order to cover benefit payments. Continued non-remittance of contributions by GMHA will undoubtedly result in continued liquidations by GGRF. However, those assets should remain in the investment portfolio to generate investment income.

2. GMHA's delinquency prevents eligible GMHA employees from retiring in accordance with Public Law 28-38, which requires the full remittance of contributions.

3. In addition to applicable interest, GGRF assesses a 1% penalty for DB contributions not paid within 10 working days after the issuance of the payroll checks.

4. DC contributions not deposited timely may result in harm to the member's account. In addition, GMHA exposes itself to both civil and criminal liability. GMHA employees can seek enforcement assistance through the Guam Department of Labor and through the U.S. Department of Labor, Employment Standards Administration, Wage and Hour Division.

(1) Financial Highlights, continued

- **Critical Issue – Enhancing the Retirement Benefits of DC Plan Employees**

  The Board in performing their due diligence reviewed the benefit levels of both the Defined Benefit Plan and the Defined Contribution Plan.

  As noted in prior years' MD&A, the Board recognizes the need for DC Plan members ("participants") to adequately *save and plan* for generating a reliable stream of retirement income. However, with DC Plan participants balances averaging less than $40,000, most participants will not have enough saved to: 1) support their basic needs, 2) allow them to maintain a comfortable standard of living, and 3) last their lifetime.

  The Board is cognizant that many participants lack the basic knowledge of investment concepts and practices needed to generate an investment return that will ensure an adequate source of income for retirement. In addition, participant account balances are not protected from adverse market conditions.

  If participants are left without adequate income when they retire, GovGuam may find itself subsidizing their costs of living through public assistance programs. As such, providing *retirement income security* may reduce the likelihood that DC retirees will need to rely on public assistance during retirement. It is only logical then to enact measures that provide participants a reasonable opportunity to build sufficient post-retirement benefit levels.

  Unlike the DB Plan which provides a guaranteed retirement benefit for the life of the member, the DC Plan provides no guaranteed benefit. The retirement benefit of DC Plan members depends on the amount of money accumulated in their participant account at retirement.

  In light of the above, the Board has implemented changes within its purview, to the DC Plan. The Board has also considered alternative plan designs to enhance the retirement benefits available to DC Plan members, fully recognizing that in light of GovGuam's current financial condition, changes to the DC Plan must not only be cost beneficial to DC Plan members but to GovGuam as a whole.

(1) Financial Highlights, continued

- **Critical Issue – Proposed Hybrid Plan Legislation**

DC Plan Alternatives

Several years ago, the Board established a working committee with the objective of developing plan design alternatives that would provide members a reasonable opportunity to build sufficient post-retirement benefit levels, while also balancing GovGuam's budgetary needs and obligations.

The committee's extensive analysis involved consideration of a comprehensive and detailed study of alternative retirement plans and arrangements, prepared as part of an analysis of funding requirements and retirement benefit levels of participants in the DC Plan and future GovGuam employees. The analysis was based upon the DB Plan Actuarial Valuation as of September 30, 2008, and updated through September 30, 2013. The alternatives included the following:

1. Transitioning to Social Security;
2. Combining the DC Plan with a Social Security Component; and
3. Offering a Hybrid Plan

Social Security

The committee first considered transitioning into Social Security and found the following:

- It is widely acknowledged that Social Security benefit payments are intended as a supplement to other retirement plans and personal retirement savings, as it provides a base level of retirement income, on average replacing about 40% of preretirement income. As such, the program alone would not provide current DC Plan members a reasonable opportunity to build sufficient post-retirement benefit levels.

- The uncertainty surrounding the future of Social Security raises questions as to the reliability of the program as a sole source of retirement income. Its trust fund has already started to pay out more in benefits than it receives in taxes. Many economists expect major changes to the system, including cuts in benefits, increases in the tax rate, or a combination of the two.

- In addition, to be eligible to receive Social Security benefits, participants will be required to contribute for forty (40) quarters, or the equivalent of 10 years. Current DC Plan participants who transition to Social Security will not receive service credit for GovGuam service already rendered.

In summary, considering the low-level of pre-retirement income replacement that Social Security provides on average, the uncertainty surrounding the future of the program, and the potentially adverse effect on participants who will not receive service credit for GovGuam service already rendered, transitioning into Social Security is not a favorable option.

(1) Financial Highlights, continued

- **Critical Issue – Proposed Hybrid Plan Legislation**

Combined DC and Social Security vs. Hybrid Plan

As summarized in the table below, the costs of ***combining the existing DC Plan with a Social Security component*** was compared to the costs for ***a Hybrid Plan***:

	Social Security	Defined Contribution	Total Social Security + DC	Hybrid	Difference
Employer's Normal Cost	6.2%	5.0%	11.2%	4.8%	6.4%
Employee Cost	6.2%	5.0%	11.2%	9.5% +1%	.7%
Total Cost as % of Pay	12.4%	10.0%	22.4%	15.3%	7.1%

The employer contribution rate for the Hybrid Plan would be 6.4% lower than the combined DC Plan and Social Security component. The employee contribution rate for the Hybrid Plan would be .7% lower than the combined DC Plan and Social Security component. The employee contribution for the Hybrid Plan consists of 9.5% to the Hybrid Plan and a mandatory 1% to the 457 Deferred Compensation Plan

Based on the above, *the Hybrid Plan is projected to be cheaper by 7.1% of compensation. As such, it was deemed to be the most viable option,* as it combines a defined benefit "floor" of benefits determined by a formula based on years of service and salary, along with a salary reduction deferred compensation account program.

Hybrid Plan

The committee worked with GGRF's legal counsel and actuaries to determine the best hybrid plan design with the objective of providing employees with a guaranteed minimum benefit at retirement, while also enabling them to maximize their overall retirement savings during their employment years by allowing them to manage a component of their retirement savings.

The proposed hybrid plan combines a defined benefit component with a deferred compensation account. Under the proposed plan:

1. All new employees and their employers will be required to contribute a certain percent of the employee's wages to GGRF (similar to current retirement contributions).

2. Mandatory participation will be required for all new employees. Voluntary participation in certain circumstances for current DC Plan participants.

(1) Financial Highlights, continued

- Critical Issue – Proposed Hybrid Plan Legislation

2012 Audit
The proposed legislation to establish a Hybrid Plan was finalized and submitted to the Committee on Appropriations, Taxation, Public Debt, Banking, Insurance, Retirement & Land (the "Committee") on April 20, 2012. A public hearing on the legislation, introduced as Bill No. 453-31, was held on August 14, 2012. The Bill however, was not acted on by the 31st Guam Legislature.

Other Provisions of Bill No. 453-31:
DB Plan Annual Increments --- As previously noted, the Board also reviewed the benefit levels and policies of the DB Plan. The proposed legislation provides for an increase of the automatic "sliding scale" increments to basic retirement and disability annuities of DB Plan retirees, which have remained static at levels set almost thirty-years ago.

Extension of Amortization Period --- Based on the expected increase in the unfunded liability resulting from the implementation of the Hybrid Plan legislation, a one-time five year extension of the amortization period for the unfunded liability is required and included accordingly.

2013 Audit
During 2013, the Committee requested updated (based on the 2012 valuation) and additional information on the proposed Hybrid Plan, prior to reintroducing the Bill. GGRF transmitted updated and additional information provided by our Actuary to the Committee in 2014.

2014 Audit
On June 6, 2014 revised legislation, Bill No. 394-32, to establish a Hybrid Plan was transmitted to the Committee. The Committee considered different benefit options, the corresponding effect on the contribution rate, its' impact to the unfunded liability, and comparison of costs between the proposed DB Plan component and a Social Security component. Upon the passing of the Honorable Vicente 'Ben' C. Pangelinan in July 2014, Vice-Speaker Benjamin 'B.J.' Cruz was named Chairman of the Committee. Public hearings on Bill No. 394-32 were held in September 2014. The Bill was reported out of Committee and discussed in a Legislative Special Session.

Update – 2015 Audit
GGRF was present during the Committee as a whole on October 17, 2014 to provide additional information and answer questions. On October 21, 2014, the Bill was referred back to Committee to give the public and the Legislature additional time to review supplemental reports provided by GGRF. On November 6, 2014, Vice Speaker Cruz held a round table discussion.

On January 20, 2015, Vice-Speaker Cruz held a round table discussion to discuss the Hybrid Bill which was reintroduced as Bill No. 002-33. Vice-Speaker Cruz indicated that the Bill would be deferred until after the government of Guam audit is completed in June 2015.

(1) Financial Highlights, continued

Critical Issue – Proposed Hybrid Plan Legislation, continued

A public hearing on Bill 002-33 took place on November 19, 2015. Testimony and concerns were presented by a number of government of Guam employees. Vice-Speaker Cruz scheduled round table hearings on December 7, 2015 and January 25, 2016, to address the inquiries and comments received on the Bill.

A public hearing is scheduled on February 29, 2016 on a new bill, Bill No. 266-33 (LS).

- **Implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 and 68.**

The 2014 financial statements, notes to the financial statements, and required supplementary information were prepared in conformity with GASB Statement No. 67, *Financial Reporting for Pension Plans.*

As more fully discussed in the notes to the financial statements, GASB 68 requires employers to reflect the unfunded liability directly on their financial statements as a liability effective for fiscal year ending September 30, 2015. In the Government of Guam government-wide financial statements this means an additional net pension liability of approximately $1.246 billion based on the 2014 actuarial valuation.

As of September 30, 2015, GGRF has recorded net pension liability of $3,749,094.

(2) Description of the Financial Statements

This section of the MD&A is intended to serve as an introduction to the GGRF financial statements, which include the following components:

1. Basic Financial Statements,
2. Notes to the Basic Financial Statements,
3. Required Supplementary Information,
4. Other Supplementary Schedules.

Collectively, this information presents the net position held in trust for pension benefits. This financial position also summarizes the changes in net position held in trust for pension benefits for the year then ended. The information in these components is briefly summarized as follows:

- **Basic Financial Statements**

The Fiduciary Net Position is presented for September 30, 2015, with comparative information at September 30, 2014. These financial statements reflect resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. The Statement of Changes in Fiduciary Net Position is presented for the year ended September 30, 2015, with comparative information for the year ended September 30, 2014. These financial statements reflect the changes in resources available to pay benefits to members, including retirees and beneficiaries, for fiscal years 2015 and 2014.

2) Description of the Financial Statements, continued

- **Notes to the Basic Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. Information in the Notes to the Basic Financial Statements includes the following: a general description of GGRF, a summary of significant accounting policies, a description of deposit and investment risk, an explanation of property and equipment, information about net pension liability of the Agencies and information about pension plan participation.

- **Required Supplementary Information**

The Required Supplementary Information consists of the following schedules: changes of net pension liability, net pension liability by agency, employer contributions, and the annual money-weighted rate of return, net of investment expense.

- **Other Supplementary Schedules**

Other schedules include schedules of administrative and general expenses, personnel costs, personnel count, receivables by GovGuam Agency, and other receivables.

(3) Defined Benefit 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 DC Plan.

DB Plan Net Position as of September 30, 2015 and2014 are as follows:

	2015	2014	Increase (Decrease) From 2014 to 2015	
			$	%
Cash and Equivalents	4,132,490	7,222,269	(3,089,779)	-42.8%
Receivables	70,716,514	62,868,722	7,847,792	12.5%
Investments	1,552,764,191	1,608,851,551	(56,087,360)	-3.5%
Prepaid expenses	6,671	32,265	(25,594)	-79.3%
Property and Equipment	901,563	1,000,103	(98,540)	-9.9%
Deferred Outflows	466,273	667,912	(201,639)	-30.2%
Total Assets	1,628,987,702	1,680,642,822	(51,655,120)	-3.1%
Total Liabilities	17,200,556	14,251,604	2,948,952	20.7%
Deferred Inflows	1,219,234	1,658,140	(438,906)	-26.5%
Net Position End of Year	**1,610,567,912**	**1,664,733,078**	**(54,165,166)**	**-3.3%**
Net Position, Beginning of Year	1,664,733,078	1,570,091,748		
Net Increase (Decrease) in Net Position	**-54,165,166**	**94,641,330**		

(3) Defined Benefit Plan, continued

During 2015, DB Plan net position decreased by $54.2 million or 3.3% from the prior year. DB Plan investments decreased by $56 million ending the year at $1.55 billion.

As of September 30, 2015, the supplemental/COLA benefits advanced receivable totaled approximately $38.6 million. Over $130 million in supplemental/COLA benefits were advanced to GovGuam by GGRF in the late 1990s. During 2015 and 2014, the outstanding balance of the supplemental/COLA benefits advanced was reduced by 1.2016% of the employer contributions of covered payroll. These receivables are being collected by GGRF over a twenty year period, without interest. Had these funds remained with GGRF's investment managers, they would have grown substantially.

DB Plan Investments as of September 30, 2015, and 2014are as follows:

	2015	2014	Increase (Decrease) From 2014 to 2015	
			$	%
Common Stocks	861,614,420	1,061,632,545	-200,018,125	-18.8%
U.S. Government Securities	289,252,362	216,830,055	72,422,307	33.4%
Corporate Bonds and Notes	265,438,566	144,343,162	121,095,404	83.9%
Money Market Funds	24,661,095	30,336,838	-5,675,743	-18.7%
Mutual Funds	111,797,748	155,708,951	-43,911,203	-28.2%
Total	**1,552,764,191**	**1,608,851,551**	**-56,087,360**	**-3.5%**

The DB Plan investments provide for long-term growth, while also ensuring a reliable cash flow that meets current pension benefit payments. Equity investments are included for their long-term return and growth characteristics, while fixed income assets control investment risk.

In line with the Board's long-term goal of achieving, at a minimum, a 7.0% rate of return, investments are allocated amongst various asset classes. Each asset class reacts differently under the same market conditions. Often when one asset class has strong returns, another will have lower or even negative returns. This diversification of investments across a number of asset classes ensures a better return under a range of market conditions, while lowering the overall portfolio risk.

(3) Defined Benefit Plan, continued

GGRF's target allocation versus the market allocation as of September 30, 2015, is as follows:

	Target Allocation	Market Allocation	Over/(Under)
Domestic Equity	40%	39.4%	-0.60%
International Developed Markets	20%	18.4%	-1.60%
Fixed Income	27%	28.7%	1.70%
U.S. High Yield	8%	8.3%	0.30%
Global Real Estate (REITs)	5%	5.0%	0.00%
Cash	0%	0.2%	0.20%
Total	100%	100%	0.00%

The table below shows portfolio returns and indices, which are reflective of the market environment for 2015 and 2014.

	2015	2014
Total Portfolio	**83.0%**	**10.0%**
Blended Index	-22.00%	9.45%
Domestic Equity	**0.86%**	**14.88%**
Benchmark: S&P 500 Index	0.07%	15.14%
International Equity	**-10.83%**	**2.45%**
Benchmark: MSCI EAFE	-10.79%	4.10%
Fixed Income	**3.31%**	**5.11%**
Benchmark: Barclays Capital Aggregate	2.94%	3.96%
REITs	**-**	**14.06%**
Dow Jones US Select Real Estate Security Index	-	13.48%

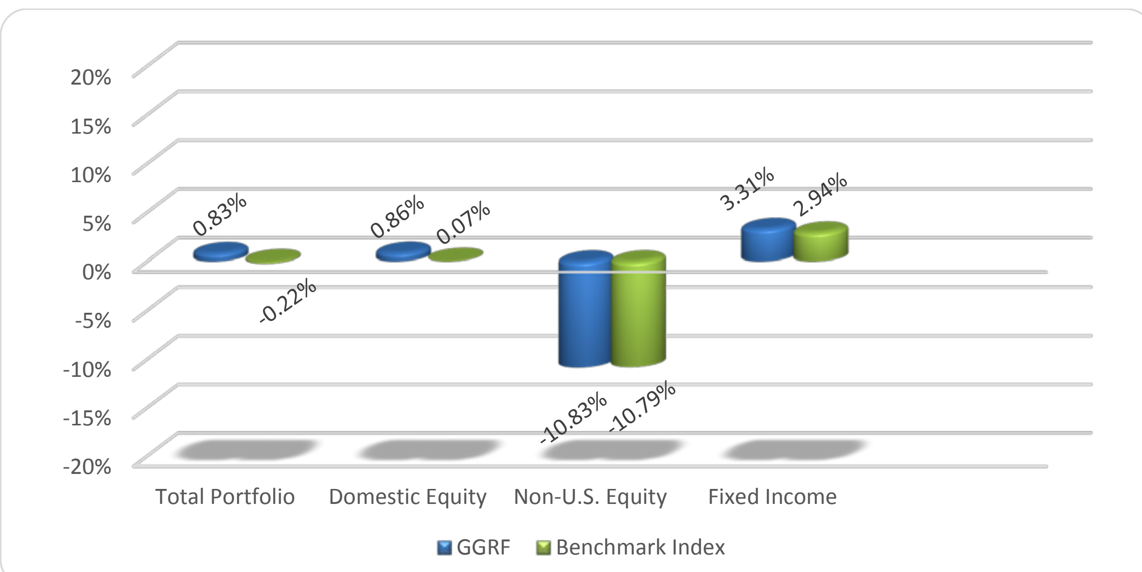
(3) Defined Benefit Plan, continued

Total Portfolio Return

For 2015, the total performance of the GGRF Portfolio (10%) outperformed both the median of a peer group of other U.S. based public funds with a return of .83%, and the benchmark index with a return of .22%. The GGRF Portfolio ranked at the 26th percentile of Wilshire's peer group universe.

According to Wilshire Associates, Incorporated, the Fund's DB Plan Investment Consultant, "Most of the negative impact on performance happened during the quarter ending September 30, 2015. During this quarter, concerns about Chinese growth and Chinese currency instability, the severe drop in crude oil price and the uncertainty in the U.S. Federal Reserve's monetary policy weighed heavily on the financial markets, inducing steep sell-off of all assets except for Treasury bonds. Looking forward, we expect volatilities to continue impacting short term performance, as major countries and regions in the World are still struggling with excessive debt GGRF continues to seek diversification and focuses on achieving the long term objectives."

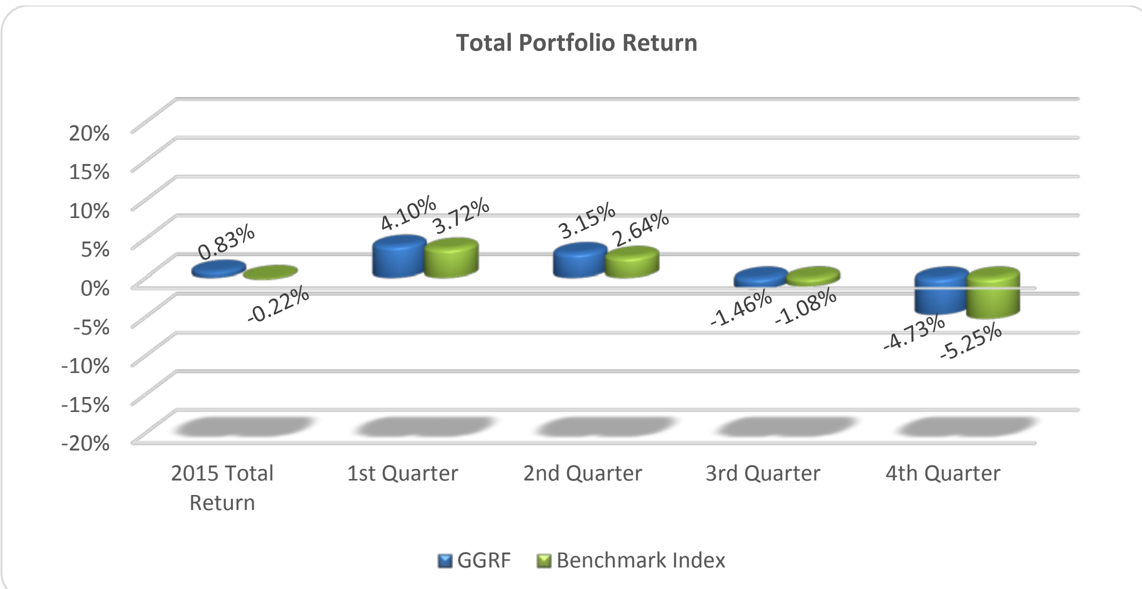
For 2015, the domestic equity and fixed income mandates outperformed their respective benchmark indices. The non-U.S. equity mandate slightly underperformed its benchmark. The following reflects the 2015 investment performance for the total portfolio, and for each investment mandate.



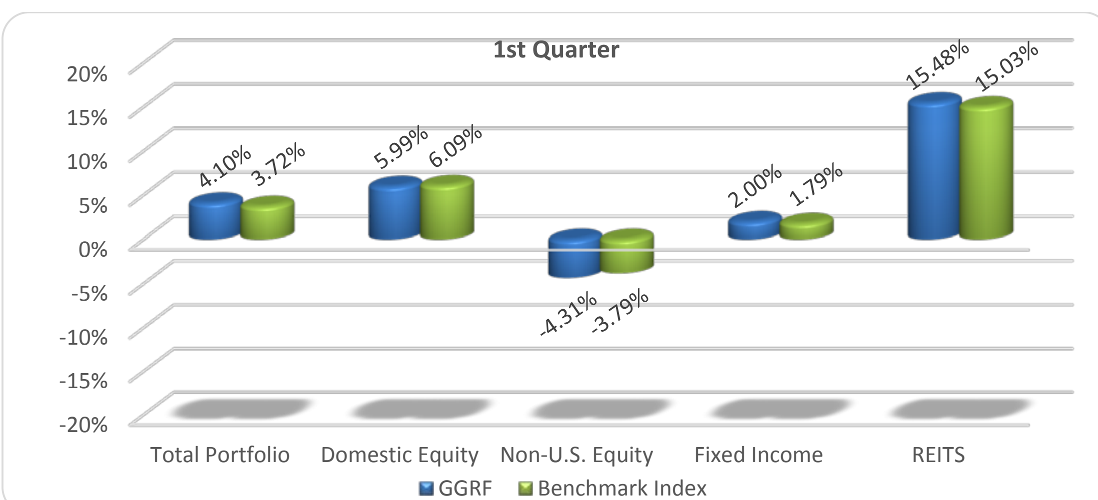
(3) Defined Benefit Plan, continued

2015 Portfolio Returns by Quarter

The following reflects the 2015 total and quarterly returns. The portfolio return for the first quarter was above the benchmark index. Returns for all other quarters except the third quarter were slightly above their respective benchmark indices.

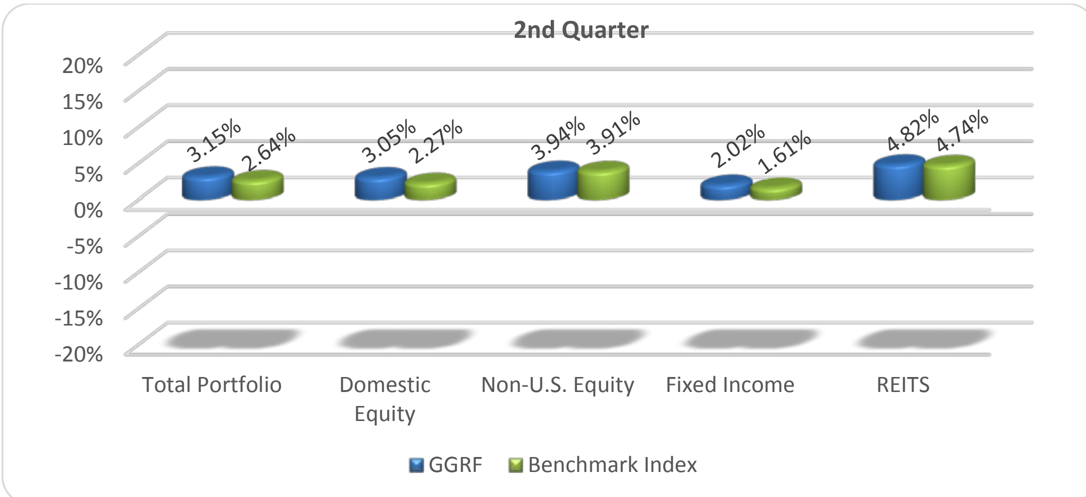


- During the **first quarter** of 2015, the GGRF Portfolio outperformed its benchmark index, and ranked at the 1st percentile of Wilshire's peer group universe. All mandates, except the non-U.S. equity mandate, outperformed their respective benchmark indices.

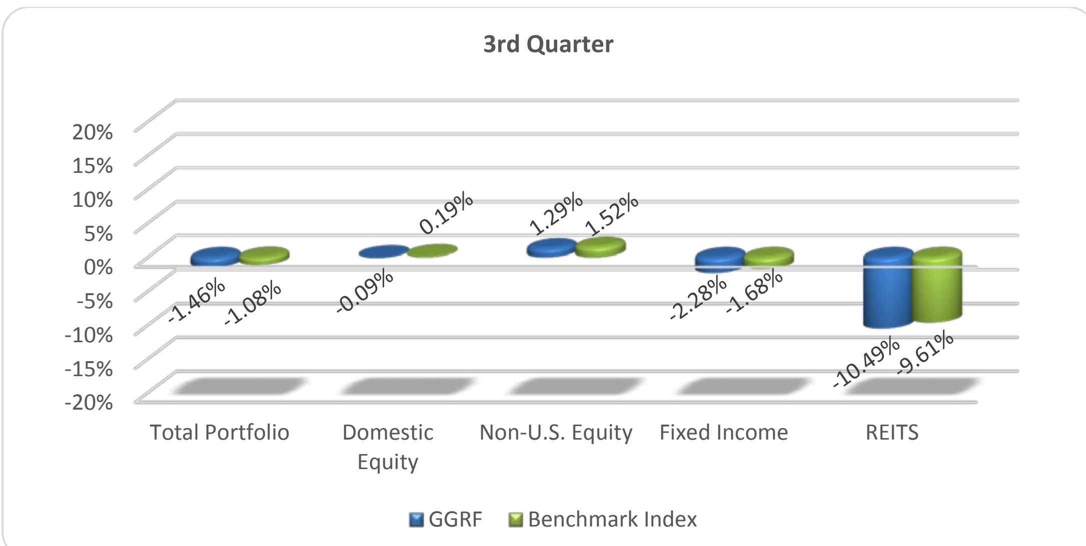


(3) Defined Benefit Plan, continued

- During the **second quarter**, the GGRF portfolio outperformed its benchmark mark ranking at the 6th percentile of Wilshire's peer group universe for the quarter. All mandates outperformed their relevant benchmarks.

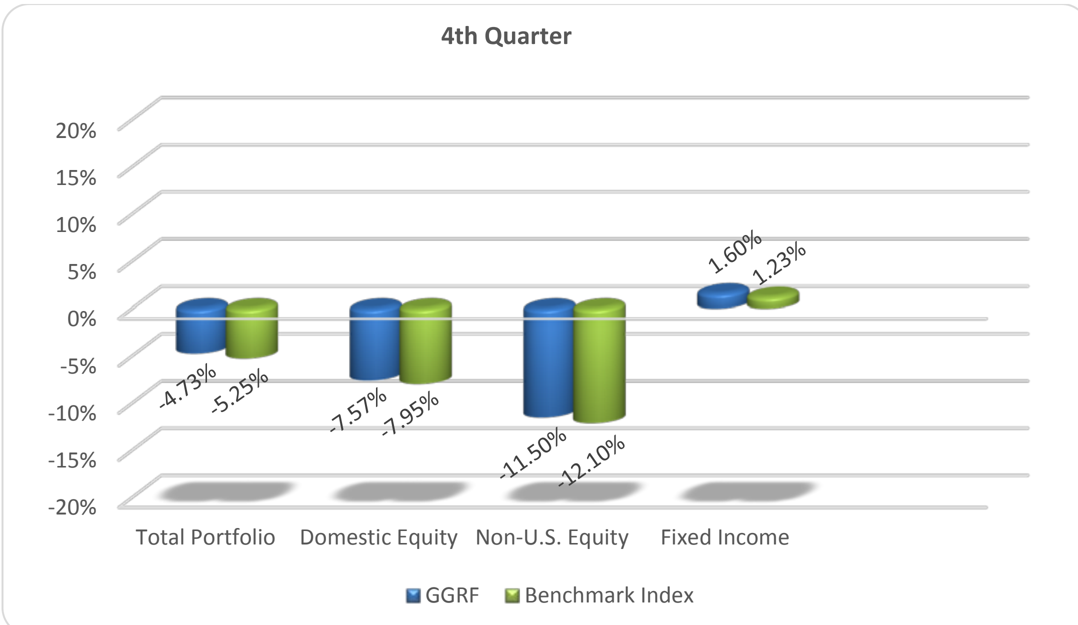


- During the **third quarter**, the GGRF portfolio underperformed its benchmark index ranking at the 96th percentile of Wilshire's peer group universe for the quarter. All mandates trailed their respective benchmarks.



(3) Defined Benefit Plan, continued

- During the **fourth quarter**, the GGRF portfolio underperformed the benchmark index ranking at the 52nd percentile of Wilshire's peer group universe for the quarter. All mandates slightly outperformed their indices.



Mitigating the Effects of Market Volatility through Diversification

The .83% return for 2015 and the 2014 return of 10% highlight the long-term proven success of strategic asset allocation and diversification in mitigating market volatility. GGRF's portfolio remains fully diversified across the different asset classes. A number of investment managers are utilized within each asset class, allowing the portfolio to achieve broad exposure to the market while minimizing overall risk. This broad diversification serves as the best defense against the uncertainty of volatile investment markets.

To mitigate other risks, the Board, with the guidance of GGRF's investment consultant, Wilshire Consulting consistently evaluates the relative performance of each mandate and individual managers, and rebalances the portfolio accordingly. Wilshire Associates Incorporated replaced Mercer Investment Consulting, Inc. in June of 2011.

(3) Defined Benefit Plan, continued

Additions and Deductions to DB Plan Net Positionfor the years ended September 30, 2015 and 2014 are as follows:

	2015	2014	Increase (Decrease) From 2014 to 2015	
			$	%
Net Appreciation in Fair Value of Investments	(20,642,359)	121,293,316	(141,935,675)	-117.0%
Interest, Dividends & Other Investment Income	35,844,218	34,909,348	934,870	2.7%
Less Investment Expenses	5,640,872	5,647,797	(6,925)	-0.1%
Net Investment Income	**9,560,987**	**150,554,867**	**(140,993,880)**	**-93.6%**
Employer Contributions	128,961,255	129,271,564	(310,309)	-0.2%
Member Contributions	15,245,935	16,626,009	(1,380,074)	-8.3%
Total Contributions	**144,207,190**	**145,897,573**	**(1,690,383)**	**-1.2%**
Total Additions	**153,768,177**	**296,452,440**	**(142,684,263)**	**-48.1%**
Benefit Payments	201,199,394	195,128,969	6,070,425	3.1%
Refunds	2,942,602	2,961,749	(19,147)	-0.6%
Interest on Refunds	939,653	1,442,661	(503,008)	-34.9%
Administrative Expenses	2,851,694	2,277,731	573,963	25.2%
Transfers to DC Plan	0	0	0	0.0%
Total Deductions	**207,933,343**	**201,811,110**	**6,122,233**	**3.0%**
Net Increase (Decrease) in Net Position	**-54,165,166**	**94,641,330**		

Additions to DB Plan Net Position

During 2015, the net appreciation in fair value of investments decreased by $141.2M from the 2014 total, while interest, dividends and other investment income increased by $935,000 from the 2014 total.

(3) Defined Benefit Plan, continued

Deductions to DB Plan Net Position

GGRF was created to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, elective refunds of contributions to employees who terminate employment, and the cost of administering the Plan. For 2015, deductions totaled $207.9 million, an increase of 3% over 2014.

Benefit payments to current retirees and their beneficiaries over the last two years averaged 97% of total deductions. For 2015, benefit payments increased by $6.1 million or 3.1%, consisting of a $5.6 million increase in age and service annuities, an $800,000 increase in survivor annuities, and a $300,000 decrease in disability annuities. Benefit payments for DB Plan retirees are not affected by the market downturn as they are based on a formula reflecting years of service and average annual salary. DB Plan investments, combined with future earnings and additional member and employer contributions, will be used to pay retirement benefits.

DB Plan membership as of September 30, 2015 and 2014 is as follows:

	2015	**2014**	**Increase (Decrease) From 2014 to 2015**
Retirees and Beneficiaries Receiving Benefits	7,202	7,226	(24)
Terminated Members entitled to, but not yet Receiving Benefits	4,734	4,941	(207)
Active Plan Members	2,459	2,692	(233)
Total Membership	14,395	14,859	(464)

Liquidations

During 2015, $56.0 million in investments were liquidated in order to meet benefit payment obligations, compared to $49.4 million in 2014. The $56.0M and $49.4M included $35.5M and $32M of interest and dividend income, respectively. The increase in 2015 liquidations is due to the increase in employer contributions in 2014 resulting from the implementation of the Competitive Wage Plan ("Hay Plan"), payment of prior year merit bonuses, and partial payment of retroactive law enforcement salary increases.

(4) Defined Contribution Plan

The DC Plan was created by Public Law 23-42:3. All new employees whose employment commences on or after October 1, 1995 are required to participate in the DC Plan.

DC Plan Net Position as of September 30, 2015 and 2014are as follows:

	2015	**2014**	**Increase (Decrease) From 2014 to 2015**	
			$	**%**
Cash and Equivalents	2,216,818	3,528,894	-1,312,076	-37.2%
Receivables	1,310,237	915,544	394,693	43.1%
Investments	399,621,914	388,002,289	11,619,625	3.0%
Prepaid expenses	0	0	0	0.0%
Property and Equipment	16,247	44,260	-28,013	-63.3%
Total Assets	403,165,216	392,490,987	10,674,229	2.7%
Total Liabilities	787,264	923,748	-136,484	-14.8%
Net Position, End of Year	**402,377,952**	**391,567,239**	**10,810,713**	**2.8%**
Net Position, Beginning of Year	391,567,239	344,199,103		
Net Increase (Decrease) in Net Position	**10,810,713**	**47,368,136**		

During 2015, DC Plan net position increased by approximately $10.8 million or 24.4%, due primarily to the increased carrying value of investments.

DC Plan investments include core mutual funds, target date funds and a TIPS fund. 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.

Employee contributions to the DC Plan are based on an automatic deduction of 5% of the member's regular base pay. Statutory contributions are determined using the same rates as the DB Plan. Of the amount contributed by the employer, only 5% of the member's regular base pay is deposited into the member's individual account. The remaining amount is contributed towards the unfunded liability of the DB Plan. Members who have completed five years of service are fully vested in employer contributions plus any earnings thereon.

(4) Defined Contribution Plan, continued

Additions and Deductions to DC Plan Net Position for the years ended September 30, 2015 and 2014 are as follows:

	2015	2014	Increase (Decrease) From 2014 to 2015 $	%
Net Appreciation in Fair Value of Investments	-31,031,154	2,866,468	(33,897,622)	-1182.6%
Interest, Dividends & Other Investment Income	27,146,331	27,940,934	(794,603)	-2.8%
Less Investment Expenses	114,735	110,323	4,412	4.0%
Net Investment Income	**-3,999,558**	**30,697,079**	**(34,696,637)**	**-113.0%**
Employer Contributions	18,046,745	16,899,085	1,147,660	6.8%
Member Contributions	17,942,475	16,800,484	1,141,991	6.8%
Total Contributions	**35,989,220**	**33,699,569**	**2,289,651**	**6.8%**
Total Additions	**31,989,662**	**64,396,648**	**(32,406,986)**	**-50.3%**
Refunds	19,181,613	15,078,560	4,103,053	27.2%
Administrative Expenses	1,997,336	1,949,952	47,384	2.4%
Transfer from DB Plan	0	0	0	0.0%
Total Deductions	**21,178,949**	**17,028,512**	**4,150,437**	**24.4%**
Net Increase (Decrease) in Net Position	**10,810,713**	**47,368,136**		

Additions to DC Plan Net Position

During 2015, the net appreciation in fair value of investments decreased by $33.9 million from the 2014 total, while interest dividends and other investment income decreased by $794,600 from the 2014 total.

Deductions to DC Plan Net Position - During 2015, refunds totaled $19.2 million, an increase of 27.2% from 2014. Refunds of member contributions are at the discretion of the member and vary from year to year.

DC Plan membership as of September 30, 2015and 2014 is as follows:

	2015	2014	Increase (Decrease) From 2014 to 2015
Active (Contributing) Members	8,697	8,181	516
Inactive (Non-Contributing) Members with Account Balances	4,117	3,969	148
Total Membership	**12,814**	**12,150**	**664**

(5) Future Outlook

Membership

	2009	2010	2011	2012	2013	2014	2015
DB	3,952	3,732	3,361	3,090	2,872	2,692	2,459
DC	7,107	7,471	7,690	7,766	7,885	8,181	8,697

Active membership in the DB plan decreased from 3,952 in 2009 to 2,459 in 2015. DC plan active membership increased from 7,107 in 2009 to an estimated 8,697 in 2015.

Looking ahead, DB membership will continually decline because new employees have been excluded from the plan since 1995. All new employees of the Government of Guam (except those who are ineligible for membership) are mandated to participate in the DC plan. As such, DC plan membership will continue to increase.

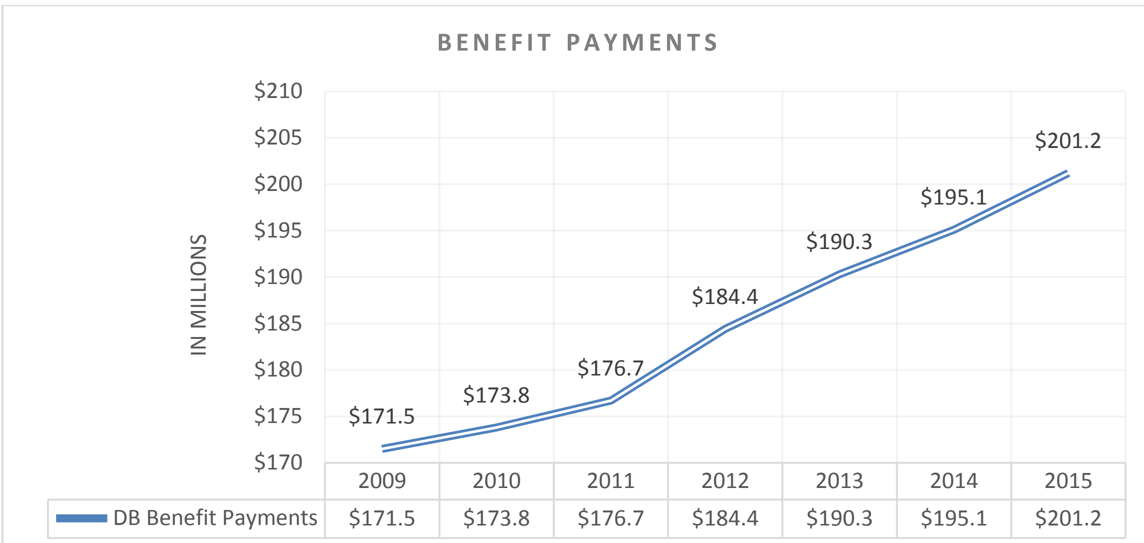
	2009	2010	2011	2012	2013	2014	2015
DB	$182.0	$175.8	$179.0	$169.9	$164.3	$169.9	$155.5
DC	$241.8	$253.2	$282.2	$287.1	$296.0	$335.1	$355.9

As DB plan membership decreases, payroll for DB members likewise will decrease. Conversely, payroll for DC members will increase as membership increases. The payroll for DB members decreased from $182 million in 2009, to an estimated $155.5 million in 2015. The payroll for DC members has increased from $241.8 million in 2009, to an estimated $355.9 million in 2015.

Total payroll, including both DB and DC members, has increased from $423.8 million in 2009, to an estimated $511.40 million in 2015.

(5) Future Outlook

DB Benefit Payments



The number of retired DB members has increased from 7,085 in 2009, to an estimated 7,202 in 2015. Annual benefit payments have also increased from $171.5 million in 2009, to an estimated $201.2 million in 2015. **Looking ahead**, benefit payments for DB retirees are expected to increase as active members continue to retire. Annual benefit payments are expected to peak at around $255 million in the year 2027, and then slowly decline.

Defined Benefit Plan

The GGRF Board will revisit on an annual basis the asset allocation policy, related statutes, and the overall structure for managing GGRF assets, 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.

Relative to the above objectives, the Board will perform quarterly investment performance reviews and rebalance GGRF's investment portfolio accordingly.

The Defined Contribution Plan

As previously discussed, the GGRF Board's proposed legislation to establish the Hybrid Plan, which combines a defined benefit component with a deferred compensation account, was introduced, but has yet to be acted upon by the Guam Legislature.

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Fiduciary Net Position

September 30, 2015

ASSETS	Defined Benefit	Defined Contribution	Total
Investments, at fair value:			
Common and preferred stocks	$ 861,614,420	-	861,614,420
U.S. Government securities	289,252,362	-	289,252,362
Corporate bonds and notes	265,438,566	-	265,438,566
Money market funds	24,661,095	-	24,661,095
Mutual funds	111,797,748	393,306,598	505,104,346
DC plan forfeitures	-	6,315,316	6,315,316
Total investments	1,552,764,191	399,621,914	1,952,386,105
Receivables:			
Contributions, Interest & Penalties:			
Supplemental/COLA benefits receivable	38,641,883	-	38,641,883
Employer contributions, net	1,408,852	583,098	1,991,950
Employer contributions, unfunded liability	2,830,720	-	2,830,720
Member contributions	465,097	581,723	1,046,820
Interest and penalties on contributions	444,931	-	444,931
Supplemental/Insurance benefits advanced	3,511,215	-	3,511,215
	47,302,698	1,164,821	48,467,519
Member Notes:			
Early Retirement Incentive Program (ERIP)	18,078	-	18,078
Service Credits	619,350	-	619,350
	637,428	-	637,428
Other:			
Accrued interest and dividends on investments	6,751,454	-	6,751,454
Other receivables	475,451	145,416	620,867
Due from brokers for unsettled trades	15,356,179	-	15,356,179
Due from DC plan	193,304	-	193,304
	22,776,388	145,416	22,921,804
Total receivables	70,716,514	1,310,237	72,026,751
Cash and cash equivalents	4,132,490	2,216,818	6,349,308
Prepaid expenses	6,671	-	6,671
Property and equipment	901,563	16,247	917,810
Total assets	1,628,521,429	403,165,216	2,031,686,645
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources from pension	466,273	-	466,273
Total assets and deferred outflows from pension	1,628,987,702	403,165,216	2,032,152,918
LIABILITIES			
Accounts payable and accrued expenses	2,773,135	-	2,773,135
Due to brokers for unsettled trades	10,678,327	593,960	11,272,287
Due to DB plan	-	193,304	193,304
Total current liabilities	13,451,462	787,264	14,238,726
Net pension liability	3,749,094	-	3,749,094
Total liabilities	17,200,556	787,264	17,987,820
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue for service credits	801,544	-	801,544
Deferred inflows from pension	417,690	-	417,690
Total deferred inflows of resources	1,219,234	-	1,219,234
Net position restricted for pensions (See required supplemental schedule of funding progress)	$1,610,567,912	$402,377,952	$2,012,945,864

The accompanying notes are an integral part of these financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Changes in Fiduciary Net Position

Years ended September 30, 2015

	Defined Benefit	Defined Contribution	Total
Investment income			
Net appreciation (decrease) in fair value of investments	$ (20,642,359)	(31,031,154)	(51,673,513)
Interest	19,002,513	26,106,724	45,109,237
Dividends	16,070,108	-	16,070,108
Other investment income	771,597	1,039,607	1,811,204
	15,201,859	(3,884,823)	11,317,036
Less investment expenses	5,640,872	114,735	5,755,607
Net investment income	9,560,987	(3,999,558)	5,561,429
Contributions			
Employer	128,961,255	18,046,745	147,008,000
Member	15,245,935	17,942,475	33,188,410
Total contributions	144,207,190	35,989,220	180,196,410
TOTAL ADDITIONS	153,768,177	31,989,662	185,757,839
Benefit payments			
Age and service annuities	168,366,770	-	168,366,770
Survivor annuities	26,516,944	-	26,516,944
Disability annuities	6,315,680	-	6,315,680
Total benefit payments	201,199,394	-	201,199,394
Refunds to separated employees and withdrawals	2,942,602	19,181,613	22,124,215
Administrative and general expenses	2,851,694	1,997,336	4,849,030
Interest on refunded contributions	939,653	-	939,653
TOTAL DEDUCTIONS	207,933,343	21,178,949	229,112,292
Net increase (decrease) in plan net position	(54,165,166)	10,810,713	(43,354,453)
Net position restricted for pensions, beginning of year	1,664,733,078	391,567,239	2,056,300,317
Net position restricted for pensions, end of year	$1,610,567,912	$402,377,952	$2,012,945,864

The accompanying notes are an integral part of these 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 8, Articles 1 and 2 of the Guam Code Annotated (GCA) for more complete information.

Purpose

The Government of Guam Retirement Fund was established 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 (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 of Trustees comprises seven members, four of whom are elected and three of whom are appointed by the Governor with the advice and consent of the Legislature. Two of the elected members must be GGRF retirees domiciled in Guam. These two members are elected by GGRF retirees. The other two elected members must be GGRF members with at least five years of employment by the Government of Guam. These two members are elected by GGRF active members. 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. 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 Plan.

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:

(2) Description of the Defined Benefit Plan, continued

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.

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, 2015, membership is as follows:

Retirees and beneficiaries receiving benefits	7,202
Terminated members entitled to, but not yet receiving benefits	4,734
Active plan members	2,459
	14,395

Contributions

Contributions are set by law. Member contributions are required at 9.5% of base pay.

Based on the actuarial valuation as of September 30, 2014, which was issued in May 2015 and revised in January 2016, the actuarially determined contribution rate for the fiscal year ended September 30, 2014 was 28.16% of covered payroll.

The established statutory rate at September 30, 2015 was 28.16% of covered payroll.

(2) Description of the Defined Benefit Plan, continued

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 with 10 years of service at age 60 (age 55 for uniformed personnel); or 20 to 24 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 25 years of service at any age.

Members who joined the DB plan on or after October 1, 1981 and prior to August 22, 1984 may retire with 15 years of service at age 60 (age 55 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 60; or completion of 30 years of service at any age.

Members who joined the DB plan after August 22, 1984 may retire with 15 years of service at age 65 (age 60 for uniformed personnel); or 25 to 29 years of service regardless of age with a reduced benefit if the member is under age 65; or completion of 30 years of service at any age.

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 a 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.

(2) Description of the Defined Benefit Plan, continued

Disability

Members under the age of 65 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 service.

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 sixty percent (60%) of the disability or service retirement benefit earned by the member.

2. Minor children – Basic benefit is $2,880 per year for a minor child up to 18 years of age (age 24 if a full-time student).

Separation from the DB Plan

Upon complete separation from service before attaining at least 25 years of total service, a member is entitled to receive a refund of total contributions including interest. Public Law 27-68 raised the time frame under which a refund was available from 20 years to 25 years, effective February 6, 2004.

A member who terminates after completing at least 5 years of service has the option of leaving contributions in the GGRF and receiving 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.

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

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 DB plan with less than 20 years of service credit may, upon written election, voluntarily elect membership in the DCRS. This option was available for sixty five (65) months after enactment of the legislation, and is available between March 1 and May 31 of every year, beginning in the year 2002. After making the election to transfer, the employee may not change the election or again become a member of the DB plan.

At September 30, 2015, membership is as follows:

Active contributing members	8,697
Inactive members with account balances	4,117
	12,814

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 of total service is entitled to receive their total contribution plus 100% of the employer contribution and any earnings thereon.

Any member who leaves government service with less than 5 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.

(4) Summary of Significant Accounting Policies, continued

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, 2015 are accrued.

These contributions are considered fully collectible; 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 the Guam Code Annotated.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash

At September 30, 2015, the GGRF has cash balances in banks of approximately $8.1 million, of which $250,000 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, mutual funds, and equity instruments. Investments are reported at fair value. Securities transactions and any resulting gains or losses are accounted for on a trade date basis.

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, has 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.

Northern Trust Company held the investments as custodian in the Fund's name through September 30, 2015. 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.

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.

(4) Summary of Significant Accounting Policies, continued

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 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.

2. U.S. Fixed Income:

a. 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.

(4) Summary of Significant Accounting Policies, continued

b. 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 of no less than "A".

c. Total portfolio quality (capitalization weighted) must maintain an "A" minimum rating.

d. 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 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.

e. 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 to or superior to the standards described above.

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.

(4) Summary of Significant Accounting Policies, continued

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 to 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.

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.

(4) Summary of Significant Accounting Policies, continued

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.

Investment policy

GGRF's investment policy in regard to the allocation of invested assets is established by mandates of public laws as enacted from time to time, as codified at 4GCA Title 4, Chapter 9, Article 1. GGRF's strategic asset allocation is based on the Fund's time horizon, risk tolerances, investment objectives, and asset class preferences. The following was the Board's adopted asset allocation policy as of September 30, 2015:

Asset Class	Target Allocation
U.S. Equities (Large Cap)	33.00%
U.S. Equities (Small Cap)	7.00%
Non-U.S. Equities	16.00%
Non-U.S. Equities (Emerging Markets)	4.00%
U.S. Fixed Income (Aggregate)	27.00%
High Yield Bonds	5.00%
Global Real Estate (REITs)	8.00%
	100.00%

Rate of return

Based on the September 30, 2014 Actuarial Valuation, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.04%. The money-weighted rate of return expresses investment performance, net of investment expense.

Due to/from Brokers

Amounts due to/from brokers for unsettled trades consists of securities purchased or sold, which have not yet settled.

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.

(4) Summary of Significant Accounting Policies, continued

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, 2014).

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, 2015.

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, 2014), and the expected date of payment.

New Accounting Standards

During the year ended September 30, 2015, the Fund implemented the following GASB pronouncements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. The implementation of these Statements resulted in the recording of net pension liability, and deferred inflows and outflows of resources, and the recognition of pension expense in accordance with the provisions of GASB Statement No. 68 (refer to Note 5 for further information).

- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides specific accounting and financial reporting guidance for government combinations and disposals of government operations and new disclosure requirements. The implementation of this statement did not have a material effect on the Fund’s financial statements.

(4) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a government extending nonexchange financial guarantees to recognize a liability when qualitative factors and historical data indicate it is more likely than not the government will be required to make a payment on the guarantee. The implementation of this statement did not have a material effect on the Fund's financial statements.

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements and requires entities to expand their fair value disclosures by determining major categories of debt and equity securities within the fair value hierarchy on the basis of the nature and risk of the investment. The provisions of Statement No. 72 are effective for fiscal years beginning after June 15, 2015. Management believes that the implementation of this Statement will not have a material effect on the Fund's financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement aligns the reporting requirements for pensions and pension plans not covered in GASB Statement Nos. 67 and 68 with the reporting requirements in Statement No. 68. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015, with the exception of the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2015. Management has not evaluated the impact that the implementation of this statement will have on the Fund's financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement addresses financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. Management has not evaluated the impact that the implementation of this statement will have on the Fund's financial statements.

(4) Summary of Significant Accounting Policies, continued

New Accounting Standards, continued

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. Management has not evaluated the impact that the implementation of this statement will have on the Fund's financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement eliminates two of the four categories of authoritative GAAP that exist under the existing hierarchy prescribed by Statement No. 55. The two categories that will remain under the new standard are (1) GASB Statements and (2) GASB technical bulletins and implementation guides in addition to AICPA guidance that the GASB clears. The provisions of this Statement are effective for fiscal years beginning after June 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The provisions of this Statement are effective for fiscal years beginning after December 15, 2015. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

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 $153,860 in 2015.

(5) Net Pension Liability and Funded Status

Funded Status

As of the most recent actuarial valuation (September 30, 2014), the DB plan had the following funded status:

Actuarial value of assets	$ 1,562,467,116
Actuarial accrued liability (AAL)	2,931,704,918
Unfunded actuarial accrued liability (UAAL)	$ 1,369,237,802
Security Ratio (Funded ratio)	53.30%

GASB 67

GASB 67 introduced some new terms for government sponsored pension plans. These are similar to the terms previously used, but have new names:

- Total Pension Liability (TPL) = Actuarial Accrued Liability
- Fiduciary Net Position (FNP) = Market Value of Assets
- Net Pension Liability (NPL) = Total Pension Liability (TNP) less Fiduciary Net Position (FNP)

The Net Pension Liability is similar to what was previously called the Unfunded Actuarial Accrued Liability. However, the Net Pension Liability is calculated using the Market Value of Assets instead of the Actuarial Value of Assets. For GGRF, the Actuarial Value of Assets recognizes excess investment gains and losses over a 3 year period while the Market Value of Assets recognizes gains and losses immediately.

The Security Ratio for GGRF is calculated as the Actuarial Value of Assets divided by the Actuarial Accrued Liability. The security ration as of 9/30/14 was 53.30%. GASB 67 requires the disclosure of the Fiduciary Net Position as a % of Total Pension Liability. This is similar to the security ratio, but uses the Market Value of Assets instead of the Actuarial Value of Assets. As reflected on the following page, the NPL as a % of TPL was 56.60% as of 9/30/14. These GASB 67 funded ratios are higher than the Security Ratio because the Market Value of Assets is currently greater than the 3-year smoothed Actuarial Value of Assets.

(5) Net Pension Liability and Funded Status, continued

One other minor difference is that for reporting purposes, the Total Pension Liability is based upon a roll-forward of the liability from the prior year. For example, the Total Pension Liability disclosed as of 9/30/14 is equal to the Actuarial Accrued Liability as of 9/30/13 rolled forward to 9/30/14.

Net Pension Liability

The net pension liability as of September 30, 2015 is as shown below.

Total Pension Liability	$ 2,871,562,108
Fiduciary Net Position	1,625,255,354
Net Pension Liability	$ 1,246,306,754
Fiduciary Net Position as a % of the Total Pension Liability	56.60%
Covered Payroll (DB and DC)	$ 504,943,471
Net Pension Liability as a % of Covered Payroll	246.82%
Discount rate	7.00%

The actuarial valuation of the Fund involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Employers' Net Pension Liability presents multi-year trend information about whether the plan fiduciary net positions are increasing or decreasing over time relative to the total pension liability. These schedules are presented in the Required Supplementary Information section. The Total Pension Liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014.

(5) Net Pension Liability and Funded Status, continued

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below and are based on the assumption that the Fund will continue in operation. If the Fund were 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:	3-year phase in of gains/losses relative to interest rate assumption.
Investment Income:	7% per year.
Salary Increase:	Graduated based on service with the Government ranging from 4.5% for service in excess of 20 years to 7.5% for service from zero to five years
Total Payroll Growth:	3.0%
Mortality:	RP 2000 Healthy table set forward 4 years for males and set forward 1 year for females
Disability:	1974-78 SOA LTD Non-Jumbo, with rates reduced by 50%
Retirement Age:	40% probability of retirement at earliest age of eligibility for unreduced retirement benefits; 15% per year thereafter until age 65, 20% per year thereafter until age 70, 100% at age 70
Return of Contributions:	100% withdrawing before retirement with less than 20 years of service assumed to elect a return of contributions. All those who have previously withdrawn assumed to elect a return of contributions. Contributions earn 4.5% interest.
Amortization Method:	Constant percentage of total payroll, which is assumed to grow at 3.0% per year.
Amortization Period:	In accordance with 4GCA§8137, complete funding is to be achieved by April 30, 2031. At September 30, 2014 the remaining period is 16.58 years.

(5) Net Pension Liability of Employers, continued

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation based on the 2014 Actuarial Valuation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities (Large Cap)	30.00%	8.12%
U.S. Equities (Small Cap)	10.00%	9.32%
Non-U.S. Equities	14.25%	8.76%
Non-U.S. Equities (Emerging Markets)	5.75%	11.03%
U.S. Fixed Income (Aggregate)	30.00%	4.97%
Real Estate (REITs)	10.00%	8.14%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(5) Net Pension Liability of Employers, continued

The changes in the Net Pension Liability are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance as of September 30, 2013	$ 2,829,439,663	$ 1,526,135,027	$ 1,303,304,636
Service Cost	5,697,487	-	5,697,487
Interest on the total pension liability	191,594,023	-	191,594,023
Differences between actual and expected experience with regard to economic or demographic factors	27,739,034	-	27,739,034
Contributions from employer	-	134,106,867	(134,106,867)
Contributions from employees	16,626,009	16,626,009	-
Net investment income	-	150,599,955	(150,599,955)
Benefit Payments	(199,534,108)	(199,534,108)	-
Administrative expense	-	(2,678,396)	2,678,396
Total changes	42,122,445	99,120,327	(56,997,882)
Balance as of September 30, 2014	$ 2,871,562,108	$ 1,625,255,354	$ 1,246,306,754

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower (6.0%) or 1.00% higher (8.0%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	$1,597,346,382	$1,246,306,754	$981,225,647

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the Fund reported a liability of $3,749,094 for its proportionate share of the net pension liability. The Fund’s proportion of the net pension liability was based on projection of the Fund’s long-term share of contributions to the pension plan relative to the projected contributions of GovGuam and GovGuam’s component units, actuarially determined. At September 30, 2015 the Funds proportion of the GovGuam overall liability was .30%.

(5) Employees' Retirement Plan, Continued

Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

For the year ended September 30, 2015, the Fund recognized pension expense (recovery) of ($9,525).

At September 30, 2015, the Fund reported total deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 27,815	$ -
Net difference between projected and actual earnings on pension plan investments	-	285,349
Contributions subsequent to the measurement date	438,458	-
Changes in proportion and difference between Fund contributions and proportionate share of contributions	-	132,341
	$ 466,273	$ 417,690

Deferred outflows resulting from contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at September 30, 2015 will be recognized in pension expense (recovery) as follows:

Year Ending September 30,	
2016	$ (146,395)
2017	$ (130,097)
2018	$ (85,983)
2019	$ (27,400)

(6) Deposit and Investment Risk Disclosure

Cash and investments as of September 30, 2015 are classified in the accompanying statement of plan net assets as follows:

	DB Plan	DC Plan
Cash and cash equivalents	$ 4,132,490	2,216,818
Common stocks	861,614,420	-
U.S. government securities	289,252,362	-
Corporate bonds and notes	265,438,566	-
Money market funds	24,661,095	-
Mutual funds	111,797,748	399,621,914
Total cash and investments	$ 1,556,896,681	401,838,732

Investments Authorized by the Guam Code Annotated and the Fund's Investment Policy

Investments that are authorized by the Guam Code Annotated and by the Fund's investment policy are described in Note 4 above. There are no maximum maturities set for investments, with the exception of cash and cash equivalents as specified in Note 4 above. The only limitation on the maximum percentage of the portfolio that may be invested in any one type is with international government or corporate bonds as specified in Note 4 above. The maximum percentage of each issue that may be made is five percent, as specified in Note 4 above.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Fund manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

(6) Deposit and Investment Risk Disclosure, continued

Information about the sensitivity of the fair values of the Fund's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund's DB plan investments at September 30, 2015 by maturity:

		Remaining Maturity in Years				
Investment Type		Less than 1	1 to 5	6 to 10	Greater than 10	Total
U.S. Treasury securities	$	-	10,940,953	2,731,333	81,863,116	95,535,402
Federal Agency securities		15,347,103	70,417,894	27,101,004	96,969,825	209,835,826
Corporate bonds and notes		2,057,967	83,514,513	105,801,773	57,945,447	249,319,700
Totals	$	17,405,070	164,873,360	135,634,110	236,778,388	554,690,928

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The Fund's investments are typically made in corporate equities, U.S. Treasury obligations, and commercial paper. These types of investments are not more sensitive to interest rate fluctuations than as already indicated above. Investments that are highly sensitive to interest rate fluctuations include Federal agency securities with coupon multipliers that are reset frequently, mortgage-backed securities, and Federal agency securities with interest rates that vary inversely to a benchmark set quarterly.

The Fund has invested in mortgage backed securities, which are more sensitive to fluctuations in interest rates than already indicated in the information provided above. Such securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.

At September 30, 2015, the Fund held mortgage-backed securities valued at approximately $101 million.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

(6) Deposit and Investment Risk Disclosure, continued

Presented below is the minimum rating required by (where applicable) the Guam Code Annotated and the Fund's investment policy, and the actual rating as of September 30, 2015 for each investment type.

Investment Type	Minimum Legal Rating	Amount	Rating as of Year End
U.S. Treasury securities	N/A	$ 95,535,402	Exempt from disclosure
Federal agency securities	N/A	193,716,960	Exempt from disclosure
Money market funds	A-2	24,661,095	AAAm
Corporate medium term notes and	BBB	20,096,123	Aaa
U.S. Municipal Obligations		24,566,990	Aa1-Aa3
		50,174,150	A1-A3
		108,873,470	Baa1-Baa3
		61,727,833	Not rated/cash
		$ 599,496,250	

Concentration of Credit Risk

The Fund's investment policy contains limits on the amount that can be invested in any one issuer. At September 30, 2015, the Fund did not hold any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total Fund investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. At September 30, 2015, the Fund held approximately $29 million in corporate bonds issued by companies organized in various foreign countries.

The countries of incorporation and the dollar amount of the bonds issued were as follows at September 30, 2015:

Canada	$ 8.7 million
United Kingdom	4.7
Germany	3.2
Netherlands	2.5
Others – 18 countries	9.9
Total	$ 29.0 million

(6) Deposit and Investment Risk Disclosure, continued

At September 30, 2015, the Fund held investments (generally U.S. dollar denominated ADRs) in corporate stocks issued by companies organized in various foreign countries. These ADRs are indirectly affected by fluctuations in currency exchange rates.

The market value of these investments at September 30, 2015 was approximately $111 million. The functional currencies of the companies that issued the stocks (and the market value in millions of U.S. dollars) were as follows at September 30, 2015:

Euros	$ 38 million
British Pound	21
Japanese Yen	18
Swiss Franc	9
Others – 8 countries	25
Total	$ 111 million

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Guam Code Annotated and the Fund's investment policy contain legal requirements that limit the exposure to custodial credit risk for deposits and investments, as follows:

The Guam Code Annotated requires that a financial institution secure deposits made by Government of Guam agencies by pledging securities in: "(a) Treasury notes or bonds of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest, (b) any evidence of indebtedness of the government of Guam, (c) Investment certificates of the Federal Home Loan Bank, or (d) such other securities as may be … approved by the Director of Administration and the Governor of Guam.". The fair market value of the pledged securities must be at least ten percent (10%) in excess of the amount of monies deposited with the bank.

(6) Deposit and Investment Risk Disclosure, continued

Further, to address custodial risk, the Guam Code Annotated requires the custodian to have been in the business of rendering trust custody services for ten or more years, to be organized under the laws of the United States or a state or territory thereof, to have capital and surplus in excess of ten million dollars ($10,000,000), and to be a member of the Federal Reserve System whose deposits are insured by the Federal Deposit Insurance Corporation. Regardless of the above, any locally chartered bank may act as custodian for the Fund.

(7) Related Party Transactions

At September 30, 2015, GGRF was owed employer and member contributions, and interest and penalties receivable by various Government of Guam agencies. At September 30, 2015, employer contributions receivable including the unfunded liability totaled $4,822,670; member contributions receivable totaled $1,046,820; and interest and penalties receivable totaled $444,931.

(8) Property, Equipment and Land

Property, equipment and land at September 30, 2015 were as follows:

	2015
Building	$ 1,290,889
Improvements	825,985
Land	439,428
Equipment	477,505
Automobiles	22,732
Furniture and fixtures	15,887
Other	7,000
	3,079,426
Less: Accumulated depreciation	(2,161,616)
	$ 917,810

(9) 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 employer and not of the GGRF. The cost of these benefits is to be paid through increased contributions over a period of twenty years.

The GGRF paid certain of these benefits on behalf of the General Fund and autonomous agencies, and collected certain amounts from the General Fund and from autonomous agencies. The excess of the amount paid out over the amount collected was recorded as "Supplemental/COLA benefits receivable" by the GGRF.

During fiscal year 1999, the Government of Guam appropriated $12 million to pay for a portion of the $31.4 million that the GGRF paid for supplemental annuities and COLA payments.

However, Public Law 25-122, passed in May 2000, reallocated the $12 million appropriation collected by GGRF to regular employer contributions. Since the $12 million reduced the receivable balance in fiscal year 1999, this reallocation resulted in a $12 million increase in the receivable balance in fiscal year 2000. The offset was recorded as a reduction of employer contributions receivable from the Government of Guam for fiscal year 2000.

Beginning in fiscal year 2000, the receivable for supplemental annuities and COLA payments is being reduced by a portion of the employer contributions received. The percentage used for fiscal years 2015 was 1.2016% of covered payroll.

At September 30, 2015, the GGRF had Supplemental/COLA benefits receivable of $38,641,883. 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 or decrease plan net assets.

(9) Supplemental Annuities and COLA Payments, continued

A history of the transactions follows (amounts rounded to the nearest hundred thousand):

Fiscal Year	Payment of Benefits by GGRF	Collections	Other	Balance
1999	$ 31,400,000	$ (4,500,000)	$ (12,000,000)	$ 14,900,000
2000	32,300,000	(4,300,000)	12,000,000	54,900,000
2001	34,000,000	(4,700,000)		84,200,000
2002	27,500,000	(3,600,000)		108,100,000
2003		(4,400,000)		103,700,000
2004		(7,200,000)		96,500,000
2005		(4,300,000)		92,200,000
2006		(4,600,000)		87,600,000
2007		(4,600,000)		83,000,000
2008		(5,000,000)		78,000,000
2009		(5,100,000)		72,900,000
2010		(5,300,000)		67,600,000
2011		(5,800,000)		61,800,000
2012		(5,500,000)		56,300,000
2013		(5,500,000)		50,800,000
2014		(6,000,000)		44,800,000
2015		(6,200,000)		38,600,000
	$ 125,200,000	$ (86,600,000)	$ -	

(10) 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 20 years of creditable service to retire and to purchase up to 5 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 15 years.

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

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, 2015, the amount owed under these notes was $18,078. There is a corresponding unearned revenue account to offset these notes receivable, since contribution income is recognized on a cash basis as amounts are collected from the retirees.

The government's share of these required contributions were fully paid as of September 30, 2011.

The receivable for the government's share of required contributions was being reduced by a portion of the employer contributions received. The statutory percentage for fiscal years 2015 was 1.31% of covered payroll.

(11) Supplemental/COLA Benefit Owed by Government of Guam Agencies

All Government of Guam agencies are obligated to pay retirees for supplemental and COLA benefits. GGRF paid certain supplemental and COLA benefits for other Government of Guam agencies. GGRF will be reimbursed for these benefit payments; accordingly, these benefit payments are reflected as "Supplemental/insurance benefits advanced" in the accompanying statement of net assets.

At September 30, 2015, the GGRF had $3,511,215 in Supplemental/insurance benefits receivable from three Government of Guam agencies.

(12) Risk Management

The Government of Guam Retirement Fund is subject to various risks in the normal course of operations. The Fund protects itself against such risks by purchasing liability insurance from a private company in Guam.

Further, the Fund purchases Directors and Officers Liability insurance from a private company in Guam to protect the Board of Trustees against liability for official actions they take in their capacities as Board members.

(13) Other Post-Employment Benefits

GovGuam, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a cost-sharing multiple employer defined benefit plan to provide certain post-retirement healthcare benefits to retirees who are members of the GGRF. Under the Plan, known as the GovGuam Group Health Insurance Program, GovGuam provides medical, dental, and life insurance coverage. The retiree medical and dental plans are fully-insured products provided through insurance companies. GovGuam shares in the cost of these plans, with GovGuam's contribution amount set each year at renewal. Current statutes prohibit active and retired employees from contributing different amounts for the same coverage. As such, GovGuam contributes substantially more to the cost of retiree healthcare than to active healthcare. For the life insurance plan, GovGuam provides retirees with $10,000 of life insurance coverage through an insurance company. Retirees do not share in the cost of this coverage. Because the Plan consists solely of GovGuam's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

(14) Subsequent Events

The market value of the Fund's invested assets in the DB plan increased from $1.553 billion at September 30, 2015 to approximately $1.585 billion at December 31, 2015. This is an increase of $32 million or about 2.0%. DC plan assets increased from $399.0 million at September 30, 2015 to $416.0 million at December 31, 2015. This is an increase of $17 million or about 4.3%.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Changes in Net Pension Liability

September 30, 2015

	2014 Valuation	2013 Valuation
Total Pension Liability - Beginning of Year	$ 2,829,439,663	$ 2,811,399,525
Service cost	22,323,496	4,799,185
Member contributions	-	16,290,014
Interest on the total pension liability	191,594,023	190,949,402
Changes of benefit terms	-	-
Differences between actual and expected experience with regard to economic or demographic factors	27,739,034	25,533,903
Changes of assumptions	-	-
Benefit payments	(199,534,108)	(193,608,035)
Total changes	42,122,445	43,964,469
Total Pension Liability - End of Year	$ 2,871,562,108	$ 2,855,363,994
Fiduciary Net Position - Beginning of Year	$ 1,526,135,027	$ 1,391,421,887
Contributions from employers	134,106,867	121,940,930
Member contributions	16,626,009	16,290,014
Net investment income	150,599,955	192,776,061
Benefit payments	(199,534,108)	(193,608,035)
Administrative expense	(2,678,396)	(2,685,830)
Total changes	99,120,327	134,713,140
Fiduciary Net Position - End of Year	$ 1,625,255,354	$ 1,526,135,027
Net Pension Liability - End of Year	$ 1,246,306,754	$ 1,329,228,967
Fiduciary Net Position as a % of Total Pension Liability	56.60%	53.45%
Covered employee payroll	504,943,471	460,347,780
Net Pension Liability as a % of Covered Employee Payroll	246.82%	288.74%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Net Pension Liability By Agency

September 30, 2015

Agency	DB Payroll	DC Payroll	Actuarially Determined Contributions	% Share	Allocated Net Pension Liability
Gov't of Guam General Fund	$ 61,653,743	$ 93,976,859	$ 42,037,027	31.2%	$ 388,427,011
Attorney General	2,550,774	6,423,804	2,373,875	1.76%	21,934,881
Mayor's Council of Guam	644,949	5,210,158	1,497,781	1.11%	13,839,670
Department of Chamorro Affairs	570,911	738,396	356,265	0.26%	3,291,930
KGTF	186,246	138,457	90,585	0.07%	837,016
Gov't of Guam Retirement Fund	592,969	909,598	405,741	0.30%	3,749,094
Guam Community College	3,911,096	8,029,694	3,184,334	2.36%	29,423,616
Guam Department of Education	46,064,780	101,380,112	39,208,696	29.07%	362,292,904
Guam Econ. Dev. Authority	416,365	1,337,609	459,838	0.34%	4,248,957
Guam Housing and UR Authority	1,258,416	2,721,274	1,059,037	0.79%	9,785,625
Guam Housing Corporation	293,278	923,111	319,126	0.24%	2,948,761
Guam Int'l Airport Authority	5,165,644	7,020,412	3,308,452	2.45%	30,570,481
Guam Legislature	383,472	1,599,039	515,396	0.38%	4,762,319
Guam Memorial Hosp. Authority	9,406,704	35,301,278	11,660,743	8.65%	107,746,620
Guam Power Authority	10,155,112	16,796,731	7,253,802	5.38%	67,025,973
Guam Visitors Bureau	325,885	1,263,466	414,109	0.31%	3,826,415
Guam Waterworks Authority	3,959,460	9,971,026	3,684,774	2.73%	34,047,740
Judiciary of Guam	7,250,966	13,002,363	5,431,957	4.03%	50,191,914
Port Authority of Guam	5,103,141	10,142,994	4,071,265	3.02%	37,618,961
Public Auditor	101,926	487,383	152,601	0.11%	1,410,051
University of Guam	9,856,900	17,716,968	7,394,584	5.48%	68,326,815
Total	$ 169,852,737	$ 335,090,732	$ 134,879,988	100.0%	$ 1,246,306,754

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Contributions

September 30, 2015

Plan Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2014	$ 134,107,000	$ 134,107,000	$ -	$ 504,943,000	26.56%
2013	121,698,000	121,941,000	(243,000)	460,348,000	26.49%

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	May 1, 2031 (16.58 years remaining as of September 30, 2014)
Asset valuation method	3-year smoothed market value (effective September 30, 2009)
Inflation	2.75% per year
Total payroll growth	3.00% per year
Salary increases	7.5% per year for the first 5 years of service, 6% for 5-10 years, 5% for 11-15 years and 4.5% for service over 15 years.
Investment rate of return	7.00%, net of investment expenses, including inflation of 2.75%
Retirement age	40% are assumed to retire upon first eligibility for unreduced retirement. Thereafter, the probabilities of retirement are 15% until age 65, 20% from 65-69, and 100% at age 70.
Mortality	RP-2000 healthy mortality table set forward by 4 years for males and 1 year for females. Mortality for disabled lives is the RP 2000 disability mortality table with no set forwards.
Other information	Actuarial assumptions are based upon periodic experience studies. The last experience study reviewed experience from 2007 to 2011, and was first reflected in the actuarial valuation as of September 30, 2012.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Investment Returns

September 30, 2015

	2014	2013
Annual money-weighted rate of return, net of investment expense	10.04%	14.14%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Administrative and General Expenses

September 30, 2015

	Defined Benefit Plan	Defined Contribution Plan	Total
Salaries and wages	$ 1,212,409	448,380	1,660,789
Third party administrator fees	-	893,406	893,406
Insurance	265,198	220,903	486,101
Employer's retirement contribution	231,240	54,357	285,597
Computer program services/maintenance	218,700	24,300	243,000
Legal fees	176,956	64,966	241,922
Retiree supplemental/COLA	203,494	22,513	226,007
Depreciation	118,719	35,141	153,860
Actuary fees	54,006	72,146	126,152
Repairs and maintenance	52,958	41,625	94,583
Utilities	40,252	40,815	81,067
Travel and transportation	25,910	23,763	49,673
Bad debt related to notes receivable	45,906	-	45,906
Miscellaneous	36,213	7,820	44,033
Printing and publications	26,155	9,738	35,893
Audit fees	24,000	8,000	32,000
Postage	18,710	6,306	25,016
Proxy voting services	25,000	-	25,000
Medicare contribution	16,591	6,136	22,727
Equipment rental	12,092	5,956	18,048
Communications	14,615	1,153	15,768
Board of trustees expenses	8,863	5,823	14,686
Training	5,303	2,868	8,171
Office supplies	6,223	1,221	7,444
Medical exams	6,026	-	6,026
Medical consultant	4,612	-	4,612
Computers supplies and software	1,543	-	1,543
	$ 2,851,694	1,997,336	4,849,030

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Personnel Costs

September 30, 2015

		Total
Salaries and wages	$	1,660,789
Employer's retirement contribution		285,597
Medicare contribution		22,727
	$	1,969,113
Average number of employees		38
Average cost per employee	$	51,819

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Personnel Count - Public Law 28-150: Section 45

September 30, 2015

	Full Time Employees			
	During FY 2015	As of September 30, 2015		Total Salaries & Wages Expended
Director's Office	3	3	$	206,048
Administrative Services	4	4		156,172
Accounting / Investments	17	17		794,984
Members and Benefits Services	14	15		503,585
	38	39	$	1,660,789

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Other Receivables - Defined Benefit Plan

September 30, 2015

	Total
Benefit overpayments	$ 311,335
Member rate differential	164,116
	$ 475,451

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Supplementary Schedule of Receivables by Agency - Defined Benefit Plan

September 30, 2015

Agency	Supplemental/ COLA	Employer Contributions	Employer Contributions (Unfunded Liability)	Member Contributions	Interest & Penalties	Retiree Supplemental Benefits & Insurance	TOTAL
Department of Administration (General Fund)	$ 38,641,883	742,009	1,220,709	249,538	374,391	1,971,918	43,200,448
Guam Memorial Hospital Authority	-	104,645	376,439	34,270	-	1,507,004	2,022,358
Supreme Court of Guam	-	67,725	138,239	22,340	39	-	228,343
Guam Power Authority	-	-	562	-	-	32,293	32,855
Guam Department of Education	-	480,707	1,094,631	154,567	64,360	-	1,794,265
Guam Housing & Urban Renewal Authority	-	13,766	-	4,382	-	-	18,148
Guam Community College	-	-	-	-	-	-	-
Guam Waterworks Authority					6,141		6,141
Port Authority of Guam		-	84	-			84
Guam Airport Authority	-	-	56	-	-	-	56
Total	$ 38,641,883	$ 1,408,852	$ 2,830,720	$ 465,097	$ 444,931	$ 3,511,215	$ 47,302,698

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Deferred Compensation Plan

Statement of Fiduciary Net Position

September 30, 2015

	Total
ASSETS	
Investments, at fair value:	$ 42,574,904
Employee loans receivable	2,390,183
Cash and cash equivalents	15,102
Total assets	44,980,189
LIABILITIES	
Accounts payable and accrued expenses	-
	-
Net position - Held in trust for benefits	$ 44,980,189

Statement of Changes in Fiduciary Net Position

Year ended September 30, 2015

	Total
Additions:	
Member contributions	$ 7,087,296
Net appreciation in fair value of investments	(2,558,590)
Interest	2,276,110
	(282,480)
Less investment expenses	51,629
Net investment income	(334,109)
Total Additions	6,753,187
Deductions:	
Benefits	2,796,150
Total Deductions	2,796,150
Change in net position	3,957,037
Net position - beginning of year	40,919,894
Net position - end of year	$ 44,980,189

See accompanying independent auditors' report.

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Government of Guam Retirement Fund

We have audited, in accordance with the 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, the financial statements of the Government of Guam Retirement Fund, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Government of Guam Retirement Fund's basic financial statements, and have issued our report thereon dated February 19, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Government of Guam Retirement Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Government of Guam Retirement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Government of Guam Retirement Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Government of Guam Retirement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burger Comer Magliari

Tamuning, Guam
February 19, 2016