

**BURGER & COMER, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees  
Government of Guam Retirement Fund:

In planning and performing our audit of the financial statements of the Government of Guam Retirement Fund (the "Fund") as of and for the year ended September 30, 2011 we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. A separate report dated February 14, 2012 contains our report on reportable conditions in the Fund's internal control. This letter does not affect our report dated February 14, 2012, on the financial statements of the Government of Guam Retirement Fund.

The accompanying comments and recommendations are intended solely for the information and use of the Board of Trustees, management, and others within the organization and should not be used by anyone other than these specified parties.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Fund personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Tamuning, Guam  
February 14, 2012

## **CURRENT YEAR COMMENTS:**

**None.**

## **UPDATE ON PRIOR YEAR COMMENTS**

### **FINANCIAL STATEMENT PRESENTATION OF UNFUNDED LIABILITY**

Late in December 2009 the Director of the Department of Administration issued a memo to all Government of Guam agencies. In that memo, she determined that the Government of Guam Retirement Fund was a “multiple employer” plan and not a “single employer” plan. With such a determination and under Statement No. 27 of the Governmental Accounting Standards Board (GASB), the various Government of Guam agencies would remove the actuarially determined liability for unfunded pension benefits from their financial statements and would instead disclose the liability in their footnotes.

The problem is that GASB 27 does not include a clear definition that would enable readers to make a determination if a plan was a single employer or a multiple employer. We contacted the GASB and they concur that the definition is not adequate. They also stated that the GGRF should make its own determination of its status and that the Government of Guam agencies should follow GGRF’s determination.

We conducted further research, which supports the conclusion that the Government of Guam Retirement Fund is a single employer plan. Unless adequate support is found to change this determination, we recommend that the GGRF continue to reinforce the position that it is a single employer plan.

### **PREPARATION OF FINANCIAL STATEMENTS**

We are pleased to report that the staff of the Government of Guam Retirement Fund once again prepared the Management’s Discussion and Analysis (MD&A), the financial statements, footnotes to the financial statements, and all supporting schedules.

### **FUNDING STATUS**

In prior years we commented on the defined benefit (DB) plan’s funded status and unfunded liability, particularly when the investment performance has been poor. Performance was above average in fiscal year 2010, thus prolonging the longevity of the DB plan’s assets, but performance in fiscal year 2011 was negative.

Annuity payments continue to exceed contributions, so plan assets must be liquidated to meet the annuity obligations. The Fund cannot remit all contributions to the investment managers due to the cash flow situation.

Our concern continues to be that the Board of Trustees, in their fiduciary capacities, are tasked with ensuring that the DB plan survives for a sufficient length of time so that all individuals entitled to annuities will receive them when they come due.

Recommendations:

We have made recommendations in the past about perhaps modifying the benefits under the DB plan and asking the Guam Legislature to require autonomous agencies to remit employer contributions at the actuarially determined rate rather than at the statutory rate.

We repeat those recommendations.

February 14, 2012

To the Board of Trustees  
Government of Guam Retirement Fund

We have audited the financial statements of Government of Guam Retirement Fund (the Fund) for the year ended September 30, 2011, and have issued our report thereon dated February 14, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in the proposal that we submitted. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Fund are described in Note 4 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no significant uncorrected misstatements of the financial statements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 14, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Fund's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Fund's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Government of Guam Retirement Fund and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Bryce A. Comer, P.C.*