

GOVERNMENT OF GUAM RETIREMENT FUND

Financial Statements

September 30, 1998
(with comparative figures for 1997)

With Independent Auditors' Report Thereon

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Government of Guam Retirement Fund:

We have audited the accompanying financial statements of the Government of Guam Retirement Fund (the Fund), a component unit of the Government of Guam, administered by the Government of Guam Retirement Fund Board of Trustees (the Board) as of September 30, 1998 and for the year then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During the year ended September 30, 1996, the Fund began administering a Defined Contribution Retirement System (DC). Procedures to record DC plan transactions resulted in a difference between the Defined Benefit and Defined Contribution financial statements of \$435,727 at September 30, 1998. This difference is recorded as amounts due from and due to other funds. Additionally, we were unable to ensure that all DC plan related transactions had been recorded in the 1998 financial statements.

The Fund's financial statements do not disclose the net appreciation or depreciation in fair value for each significant class of investment. Management believes it is not practicable to develop this information. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of the information discussed in the preceding paragraph, and except for the effects of adjustments that might have resulted had we been able to obtain sufficient evidence to resolve the variances between the defined benefit and defined contribution plans as set forth in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial status of the Fund administered by the Board as of September 30, 1998, and the changes in its financial status for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information listed as supplemental schedules on pages 16 to 19 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the Fund's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 17, 2001 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants.

The 1997 financial statements were compiled by us in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the 1997 financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Tamuning, Guam
August 17, 2001

GOVERNMENT OF GUAM RETIREMENT FUND

Statement of Plan Net Assets

September 30, 1998
(with comparative figures for 1997)

	Defined Benefit	Defined Contribution	Total 1998	(Unaudited) Total 1997
<u>ASSETS</u>				
Investments, at fair value:				
Common stocks	\$ 572,870,159	-	572,870,159	587,736,972
U.S. Government securities	297,323,944	-	297,323,944	236,125,261
Corporate bonds and notes	377,414,181	-	377,414,181	331,712,651
Money market funds	49,821,736	-	49,821,736	61,963,481
Mutual funds	11,911,820	18,372,541	30,284,361	25,556,133
Savings account and certificate of deposit	462,317	-	462,317	5,432,358
Mortgage loans	16,619	-	16,619	34,384
Total investments	1,309,820,776	18,372,541	1,328,193,317	1,248,561,240
Receivables:				
Employer contributions	4,888,915	749,698	5,638,613	12,988,150
Member contributions	1,780,872	275,532	2,056,404	4,902,285
Accrued investment income	9,970,457	-	9,970,457	10,025,490
Due from broker for unsettled trades	4,588,351	-	4,588,351	-
Note receivable from GMHA, net	945,981	-	945,981	812,680
Notes receivable for service credits	9,801,406	-	9,801,406	-
Other receivables	5,870,163	-	5,870,163	2,206,751
Due from other funds	435,727	-	435,727	588,720
Total receivables	38,281,872	1,025,230	39,307,102	31,524,076
Cash	248,309	1,080,223	1,328,532	1,690,412
Property and equipment	1,786,762	-	1,786,762	2,102,366
Total assets	1,350,137,719	20,477,994	1,370,615,713	1,283,878,094
<u>LIABILITIES</u>				
Bank overdraft	1,262,357	-	1,262,357	1,425,790
Accounts payable and accrued expenses	1,325,050	1,059,679	2,384,729	1,424,789
Deferred revenue for service credits	9,801,406	-	9,801,406	-
Due to broker for unsettled trades	12,566,997	-	12,566,997	25,031,615
Suspense	-	139,477	139,477	175,942
Due to other funds	-	435,727	435,727	588,720
Total liabilities	24,955,810	1,634,883	26,590,693	28,646,856
Net assets available for benefits (see schedule of funding progress on page 16)	<u>\$1,325,181,909</u>	<u>18,843,111</u>	<u>1,344,025,020</u>	<u>1,255,231,238</u>

See accompanying notes to financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements

September 30, 1998

(1) Description of the Fund

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

Purpose

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

(2) Description of the Defined Benefit Plan

Membership

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

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

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(2) Description of the Defined Benefit Plan, continued

Ineligible Persons

The following employees are not eligible for membership:

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

At September 30, 1998, the latest actuarial valuation date, membership is as follows:

Retirees and beneficiaries receiving benefits	5,321
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>8,945</u>
	<u>14,266</u>

Contributions

Contributions are set by law. Member contributions are required at 9.5% of base pay. Employer contributions are required at 19.675% of covered payroll for the year ended September 30, 1998.

Retirement, Disability and Survivor Benefits

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

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(2) Description of the Defined Benefit Plan, continued

Service Benefit Formula

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

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

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

Disability

Members under the age of sixty-five with six or more years of credited service who are not entitled to receive disability payments from the United States Government are eligible to receive two-thirds 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 fifty percent (50%) of the disability or service retirement benefit earned by the member.
2. Minor children – Basic benefit is \$2,160 per year for a minor child up to 18 years of age (age 21 if a full-time student).

Plan Amendment

Public Law 25-19 extended the opportunity for participants to transfer to the defined contribution (DC) plan, and offered an incentive to do so. The effect of this change was to reduce the unfunded liability of the defined benefit plan by \$34 million.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(2) Description of the Defined Benefit Plan, continued

Separation from the DB Plan

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

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

(3) Description of the Defined Contribution Retirement System

Purpose

The Defined Contribution Retirement System (DCRS) was created by Public Law 23-42:3 to provide an individual account retirement system for any person who is employed in the Government of Guam. The GGRF Board of Trustees is responsible for the general administration and operation of the fund. The DCRS, by its nature, is fully funded on a current basis from employer and member contributions.

Membership

The DCRS is a single-employer pension plan and shall be the single retirement program for all new employees whose employment commences on or after October 1, 1995.

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

Ineligible Persons

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(3) Description of the Defined Contribution Retirement System

Contributions

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

Separation from the DCRS

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

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

(4) Summary of Significant Accounting Policies

Method of Accounting

The financial statements presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through September 30, 1998 are accrued. With the exception of amounts due from the Guam Memorial Hospital under a promissory note, these contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in Government of Guam Code Annotated.

Cash

At September 30, 1998 the GGRF has cash balance in banks of \$3,842,450, of which \$200,000 is insured by the Federal Deposit Insurance Corporation. The remaining balances are collateralized by securities held by a trustee in the name of the financial institution.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

Investments

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

The Fund's investments may be categorized as either (1) insured and registered for which the securities are held by the Fund or its agent in the Fund's name, (2) uninsured and registered for which the securities are held by the broker's or dealer's trust department or agent in the Fund's name, or (3) uninsured and unregistered for which the securities are held by the broker or dealer or by its trust department or agent but not in the Fund's name. At September 30, 1998 all of the Fund's investments are classified in category (1).

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

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

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

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

1. U.S. equities:

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

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

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

2. U.S. Fixed Income:

- b. All fixed income securities held in the portfolio must have a Moody's, Standard & Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. Government agencies are qualified for inclusion in the portfolio.
- c. No more than twenty percent (20%) of the market value of the portfolio may be rated less than single "A" quality, unless the manager has specific written authorization. Eighty percent (80%) of the fixed income portfolio must be in bonds of credit quality equal to or greater than "A".
- d. Total portfolio quality (capitalization weighted) must maintain an "A" minimum rating.
- e. In case such bonds or other evidence of indebtedness are not so rated by two nationally recognized and published rating services, the net earnings available for fixed charges over a period of five fiscal years preceding the date of investment have averaged per year and during either of the last two years have been, after depreciation and after taxes, not less than:
 - i. Two times its average annual fixed charges over the same period, in the case of any public utility company;
 - ii. One and one-half times its average annual fixed charges over the same period, in the case of any financial company; or,
 - iii. Three times its average annual fixed charges over the same period, in the case of any other company.
- f. With the written petition and subsequent written approval of the Trustees, opportunistic investment bonds issued by national governments other than the United States or foreign corporations may comprise up to six percent (6%) of each fixed-income manager's portfolio. In no case shall these investments exceed three and one-half percent (3.5%) of the total GGRF investments. All non-U.S. securities will be, in the judgment of the investment managers, of credit quality equal or superior to the standards described above.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

3. Non-U.S. Equities

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

4. Cash and Cash Equivalents

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

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

Income Taxes

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

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Fund's provisions to the service members have rendered through the most recent actuarial valuation date (September 30, 1998).

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, 1998.

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, 1998), and the expected date of payment.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

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

Actuarial Cost Method: Entry age normal

Valuation of Assets: Market value, including accrued but unpaid contributions, with fixed income investments at amortized cost

Investment Income: 8% per year.

Salary Increase: 5.5% per year.

Group Size Growth Rate: 4.5%

Expenses: Administrative expenses of the prior year. For 1999, assumed to be 1.33% of covered defined benefit payroll

Mortality: 1983 Group Annuity Mortality for males set forward two years for males and no set forward for females

Disability: 1974-78 SOA LTD Non-Jumbo with rates increased for males by 30%

Retirement Age: 80% probability of retirement at earliest age of eligibility for unreduced retirement benefits; remaining are assumed to retire at age 60

Estimates

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

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(4) Summary of Significant Accounting Policies, continued

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 \$327,735 in 1998.

(5) Related Party Transactions

In March 1998, the GGRF accepted a promissory note from Guam Memorial Hospital Authority (GMHA), a component unit of the Government of Guam. The note is in the amount of \$9,385,720 with interest at the bank's prime rate plus 1%, with a floor amount of eight percent. The note was executed for the outstanding balance of a previously executed promissory note and for contributions owed to the GGRF as of February 28, 1998, along with related penalties and interest. Payments are to begin on March 30, 1998. At September 30, 1998 the balance on the note was \$8,945,981. Management has established a reserve of \$8,000,000 due to the uncertainty of collection of this balance. This amount was charged to administrative and general expenses in the accompanying financial statements.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Financial Statements, continued

September 30, 1998

(6) Property and Equipment

Property and equipment at September 30, 1998 was as follows:

Building	\$ 1,130,186
Improvements	705,677
Equipment	594,562
Land	439,428
Furniture and fixtures	240,394
Automobiles	27,986
Other	<u>5,200</u>
	3,143,433
Less: Accumulated depreciation	<u>(1,356,671)</u>
	\$ <u><u>1,786,762</u></u>

(6) Restatement of 1997 Financial Statements

The financial statements for the fiscal year ended September 30, 1997 have been restated to correct certain investment balances, accrued investment income, and the balance due to brokers for unsettled trades at September 30, 1997, as follows:

	Previously <u>Reported</u>	Restated <u>Amount</u>
Common and preferred stocks	\$ 570,481,934	587,736,972
U.S. Government securities	241,469,834	236,125,261
Corporate bonds and notes	346,668,716	331,712,651
Money market funds	68,316,698	61,963,481
Mutual funds	7,515,240	25,556,133
Savings account and certificate of deposit	3,432,358	5,432,358
Accrued investment income	-	10,025,490
Due to broker for unsettled trades	-	25,031,615

GOVERNMENT OF GUAM RETIREMENT FUND

Schedule of Funding Progress

September 30, 1998

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

See accompanying independent auditors' report.

GOVERNMENT OF GUAM RETIREMENT FUND

Notes to Supplementary Schedules

September 30, 1998

(1) Purpose of Schedules

Schedule of Funding Progress

This schedule reflects the Fund's progress toward becoming fully funded; that is, when the actuarial value of plan assets meets or exceeds the actuarial accrued liability. The column titled "funded ratio" in the accompanying schedule shows the annual progress from 1991 forward.

Schedule of Employer Contributions

Contributions are set by law. There is an actuarial calculation of the percentage of current payroll required as a contribution to satisfy actuarially calculated obligations as they become due. This is shown in the accompanying schedule as "annual required contribution". The actual employer contribution is the amount reflected as "employer contributions" in the accompanying statement of changes in plan net assets. If the actual contribution is less than the required contribution, this means that the Fund would not have enough assets to pay all actuarially calculated obligations. If the actual contribution is greater than the required contribution, this means that sufficient assets will be available to pay all actuarially calculated obligations.