

April 1, 2014

Anthony Plante
Town of Windham
8 School Rd
Windham, ME 04062-0000



Dear Anthony Plante,

The Governmental Accounting Standards Board (GASB) has issued new standards that change the way pension expense will be reported starting with fiscal years beginning on or after June 15, 2014 (FY2015 for most governmental employers). This change will affect how the retirement plan, or pension, sponsored by your organization is reported in your basic financial statements. These new standards apply only to how you report your pension liabilities. They do not change your pension contributions or your pension liability.

We are writing to provide you with an idea, in advance, of how this change might affect your basic financial statements. We have enclosed an abbreviated form of this information in a letter for distribution to your governing body to assist you in explaining this change to them. We are also mailing a letter to your chief financial officer composed of the information contained in the remainder of this letter. We hope these steps are helpful in preparing for this significant change in how pension plan costs and liabilities are reported.

GASB Statement Number 68 establishes financial reporting standards for governmental employers who provide pensions to their employees through plans administered as trusts. Specifically, employers will be required to include unfunded pension liabilities on their financial statements. These new accounting standards apply to you because you are a member of the MainePERS Participating Local District (PLD) Consolidated Plan.

Employers in the PLD cost sharing plan have not been required to report a pension liability on their balance sheet prior to the adoption of GASB 68, provided they have paid the full contributions each year as calculated by MainePERS. With the adoption of GASB 68, governmental employers will be required to include net pension liability and pension expense, as well as expanded disclosures regarding the pension plan and additional required supplementary information as part of your basic financial statements. MainePERS will be working with our actuary to calculate and provide the necessary information for each employer such as yourself.

The following table briefly describes each new reporting element. It also provides you with an idea of the change you will see in your financial reporting. Solely for the purposes of illustration, we are providing you with the amounts you would be reporting if these changes were effective in FY2013, i.e., we are using this year's numbers to give you an idea of what you would report if you were required to report under GASB 68 in FY2014. The FY2013 information for you as an employer in the Participating Local District (PLD) Consolidated Plan is as follows:

Employer: Town of Windham

Net Pension Liability*	Pension Expense*	IUUAL Liability/(Surplus)*
The difference between the total liability for past service of all employees and the Plan's net position at a point in time.	The difference between the beginning net pension liability and the ending net pension liability for the period.	The balance of your initial unpoolled, unfunded actuarial liability upon joining the consolidated plan, if applicable. This amount is not included in the Net Pension Liability.
\$1,304,634	\$243,368	\$0

**Please note these are approximations of amounts that will be required to be reported in your financial statements starting in FY2015. They are not new costs, and do not affect the way MainePERS calculates your annual contributions. There is no change in how your annual pension contributions are calculated.*

In addition to the changes in the numbers required to be reported in the basic financial statements, there may be significant changes in the notes to your financial statements related to pensions. MainePERS staff is currently working to develop sample footnote language which will encompass the required note disclosures that can then be modified to best meet the needs of each individual employer. We will make this information available on our website when complete.

Finally, we want to clarify that the information contained in this letter applies only to your PLD Plan. Some employers in this Plan now pay for a portion of the pension expense of employees that are members of the State Employee and Teacher Retirement Program sponsored by the State of Maine. This letter does not apply to that expense, nor do the Net Pension Liability or Pension Expense estimates include this cost.

We understand these changes are complex and hope this information helps you understand the change you will see in your financial statements when GASB 68 takes effect. Please feel free to share this information with any other appropriate persons at your office. You may also want to share the information with your external accountant and auditor if applicable.

We continue to work with several national associations as well as with our auditors to identify potential issues related to the implementation of this new standard and are committed to assisting with any questions you or your auditors may have. Please direct those questions to my attention at 800-451-9800 or by e-mail at sherry.vandrell@mainepers.org.

Sincerely,



Sherry Vandrell, CMA
Director of Finance

April 1, 2014

Dear Town Council
Town of Windham

The Governmental Accounting Standards Board (GASB) is issuing new standards that change the way pension plan expense and liabilities will be reported in governmental financial statements starting with fiscal years beginning on or after June 15, 2014 (FY2015 for most governmental employers). These new standards apply *only* to how you report your pension liabilities. They do not change your pension contributions or your pension liability.

These new accounting standards apply to your organization because you are a member of the MainePERS Participating Local District (PLD) Consolidated Plan.

MainePERS stays in regular contact with your staff to support your organization through the implementation of these changes. At the same time, we are hoping to provide you with a brief overview of these significant upcoming changes in retirement plan financial statement reporting.

GASB is enacting these changes through Statement Number 68, which establishes financial reporting standards for governmental employers who provide pensions to their employees through plans administered as trusts such as MainePERS. The most significant change this statement requires is that employers who were not previously required to include unfunded pension liabilities on their financial statements must do so beginning in FY2015.

Other significant changes include the way pension expense is reported and the extent of new notes to your financial statements. The following table briefly describes each new reporting element required by GASB 68. It also provides you with an approximation of the changes you will see in your financial reporting based on these new requirements. We created this approximation using your plan's FY2013 data. The actual numbers you will report in FY2015 will be determined at the end of the current fiscal year, or FY2014. Your FY2013 information as an employer in the Participating Local District (PLD) Consolidated Plan is as follows:

Employer: Town of Windham

Net Pension Liability*	Pension Expense*	IUUAL Liability/(Surplus)*
The difference between the total liability for past service of all employees and the Plan's net position at a point in time.	The difference between the beginning net pension liability and the ending net pension liability for the period.	The balance of your initial unpoolled, unfunded actuarial liability upon joining the consolidated plan, if applicable. This amount is not included in the Net Pension Liability.
\$1,304,634 (for approximation purposes only)	\$243,368 (for approximation purposes only)	\$0

**Please note that these are approximations of amounts that will be required to be reported in your financial statements starting in FY2015. They are not new costs, and do not affect the way MainePERS calculates your annual contributions. There is no change in how your annual contributions are calculated.*

MainePERS and our actuary will calculate and provide the necessary information for you and other employers in the PLD Consolidated Plan. We are also seeking ways to minimize the time, effort, and cost you need to expend to audit these numbers as they will now be part of your financial statement audit as well.

Finally, we want to clarify that the information contained in this letter applies only to your PLD Plan. Some employers in this Plan now pay for a portion of the pension expense of employees that are members of the State Employee and Teacher Retirement Program sponsored by the State of Maine. This letter does not apply to that expense, nor do the Net Pension Liability or Pension Expense estimates include this cost.

We understand these changes are complex and hope this information helps you understand the change you will see in your financial statements when GASB 68 takes effect. We will continue working with your staff to assist in this transition.

Please feel free to contact us with additional questions about the new reporting requirements through your staff or directly through Stephanie Fecteau, PLD Plan Administrator, at 800-451-9800 or by e-mail at stephanie.fecteau@mainepers.org.

Sincerely,



Sandy Matheson
Executive Director