

## Frequently Asked GASB 47 Questions and Answers for the Link on OSRAP's web site

Q1 What are termination benefits?

A1 Termination benefits are benefits paid to employees other than salaries and wages upon termination from employment.

Q2 What is a termination?

A2 A termination is a permanent involuntary or voluntary separation of employment.

Q3 What is an involuntary termination?

A3 An involuntary termination is a termination that is initiated by management.

Q4 What is a voluntary termination?

A4 A voluntary termination is a termination that is initiated by the employee.

Q5 What are some examples of termination benefits?

A5 Termination benefits include payment for unused leave balances, continued access to healthcare (COBRA), early retirement incentives, such as cash payments and enhancements to defined benefit formulas, and payments made due to early release from employment contracts.

Q6 What is the effective date of GASB 47?

A6 Termination benefits provided through an existing defined benefit (OPEB) plan should be reported simultaneously with GASB 45. GASB 45 will be implemented by OSRAP in FY 2008. All other termination benefits will be reported in statements for FYE 2006. The requirements of this statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this statement should be implemented simultaneously with the requirements of Statesmen 45. GASB 45 will be implemented by OSRAP in FY 2008. For all other termination benefits (Non-healthcare-related termination benefits), this statement is effective for financial statements for periods beginning after June 15, 2005 (i.e. FY 2006).

Q7 When should a termination benefit be reported?

A7 In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures should be recognized to the extent liabilities are expected to be liquidated with expendable available financial resources. In financial statements prepared on the accrual basis of accounting, an agency

should recognize a liability and expense for voluntary termination benefits when the employees accept the offer and the amount can be estimated. A liability and an expense for involuntary termination benefits should be recognized when a plan has been approved.

Q8 How will termination benefits be reported?

A8 An additional note has been added to the AFR packets for the 2006 fiscal year. When completing this note, agencies will provide information that includes a description of the termination benefit arrangement, the benefits provided, the number of employees affected, and the period of time over which the benefit are expected to be provided. If the termination benefit affects the defined pension (OPEB) obligation, then the note will include the change in the actuarial accrued liability attributable to the termination benefit.

Q9 Where will the information for the AFR packets come from?

A9 The information will come from payroll records. Some information will be obtained from the state's retirement systems or your payroll office, depending on how the final act is worded, if an early retirement bill is approved by the legislature.

Q10 Are there any exclusions or exceptions from GASB 47?

A10 The scope of GASB 47 does not include unemployment compensation. It also does not include post employment benefits (identify items included in post employment benefits). However, if the termination benefit effects the defined benefit pension (OPEB) obligation, the notes should disclose the change in the actuarial accrued liability attributable to the termination benefit.

Q11 Are all agencies required to report termination benefits?

A11 All agencies must report termination benefits in fiscal year 2006 to ensure that the state's financial statements are prepared in accordance with generally accepted accounting standards.

Q12 Are there any termination codes currently used in ISIS that could be used as a sample guide for non ISIS agencies when non ISIS agencies are attempting to identify termination codes as voluntary or involuntary?

A12 The following are civil service termination reason codes that have been identified as voluntary or involuntary. For ISIS agencies, we use Civil service termination reason codes to classify leave payments as being voluntary or involuntary when employees leave the State. These may be used as guidance for non-civil service agencies regarding classification of leave payments

The codes are as follows. 02 Resign-Pay Reasons - Voluntary

- 04 Resign-Work Related - Voluntary
- 06 Resign-Personal - Voluntary
- 08 Resign-Shift/Locate/Housing - Voluntary
- 10 Resign to Avoid Dismissal - Voluntary
- 12 Resign-Reason Not Stated - Voluntary
- 14 Retirement - Voluntary
- 16 Separation From Probation - Involuntary
- 18 Dismissal - Involuntary
- 20 Non-disciplinary Removal - Involuntary
- 22 Layoff - Involuntary (but not in the sense that the person was dismissed for cause - we report these in their own category)
- 24 Term of Temp Appt - Involuntary (but not in the sense that the employee was dismissed for cause - we generally exclude these because the very nature of the appointment is that it will eventually end)
- 28 Death - there is no CAFR standard to define as voluntary or non voluntary, so we make a management decision to call it involuntary since it is inevitable.

Q13 Is the "furlough" considered an involuntary termination?

A13 A "furlough" is a term of art that applies only to the concept of a layoff. It is a mechanism used to avoid a layoff and is defined at Civil Service Rule 1.15.2 as "a period of leave without pay required of employees by an appointing authority in order to avoid a layoff." As can be seen from the definition, a person remains an employee while on furlough. Therefore, furlough is not an involuntary termination.

Q14 Who do I contact if I have questions about this information?

A14 You may contact Tonia Jackson at 342-1089 or Yuchi Fong at 342-0709. Or you may contact the analyst assigned to your agency.