

REPORTING

Note X – Termination Benefits

INSTRUCTIONS TO PREPARER

Termination benefits are benefits provided by employers to employees as an inducement to hasten the termination of services, or through voluntary termination, or a consequence of involuntary termination. These benefits include severance pay, continued health care coverage, career counseling, and outplacement services.

In the period in which an employer becomes obligated for termination benefits the employer should make the following disclosures:

1. A description of the types of benefits provided.
2. The number of employees affected.
3. The time period over which the benefits are expected to be provided.
4. The cost of termination benefits if it is not identifiable on the face of the financial statements.
5. Change in actuarial accrued liability for pension and OPEB (if affected).
6. Method (i.e. discounted present value) and assumptions (discount rate, healthcare cost trend rate, etc.) used for calculation of the liability.
7. If the cost of benefits cannot be estimated this should be disclosed.

Measurement and recognition:

When benefits are provided upon termination recognition of the liability and expense also needs to be reported in the financial statements. Employers need to measure the components of healthcare related benefits separately from non health benefits. Health care benefits should be discounted to present value using a projection of benefits, healthcare cost trend data and discount rate. Generally the cost of non healthcare related benefits are calculated as the discounted present value of expected future benefit payments. For a detailed discussion of the liability and expense measurement and recognition see GASB Statement 47, *Accounting for Termination Benefits*.