

## PAYROLL: TERMINATION BENEFITS

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## PAYROLL: TERMINATION BENEFITS

I. INTRODUCTION

Governmental Accounting Standards Board (GASB) Statement No. 47, issued in June 2005, addresses the accounting and financial reporting requirements for termination benefits, regardless of whether they are provided as a result of a voluntary or involuntary termination of employment.

The procedures included in this chapter apply to termination payments made to or on behalf of employees in all personnel groups, including Academic, Senior Management Group, Management and Senior Professional, and Professional and Support Staff programs.

The University may provide a number of termination benefits to employees in connection with both voluntary and involuntary terminations. Termination benefits are different in nature from salaries and benefits, including pension and annuitant health benefits that the University provides to employees in exchange for their services. They may include early-retirement incentives, severance benefits, and other termination-related benefits. The definition excludes unemployment compensation.

These requirements do not apply if the termination benefit results in an obligation of either a defined benefit pension plan such as the University of California Retirement Plan (UCRP) or an other postemployment benefit (OPEB) plan. The UCRP and the OPEB Trusts—once established on July 1, 2007—will represent separate legal entities whose liabilities are developed and included in the University's financial statements through the application of the requirements in GASB Statement No. 27 (Accounting for Pension Costs—UCRP) and GASB Statement No. 45 (Accounting for OPEB Costs—Annuitant Health).

Under GASB Statement No. 47, the University is required to:

- Segregate voluntary and involuntary health care and non-health care related termination benefits expense and liabilities from all other salaries and benefits expense and liabilities.

- Record a liability and expense for termination benefits under voluntary terminations (for example, early-retirement incentives) when the offer is accepted;
- Record a liability and expense for termination benefits under involuntary terminations when a plan of termination has been approved by those with the authority to commit the University to the plan, and that plan has been communicated to the employees;
- Exclude from these considerations any obligations that would be satisfied through either the UCRP or OPEB Trusts;
- Disclose a description of the termination benefit arrangement and the cost of the termination benefits for the year the liability and expense are recognized; and
- Disclose the change in actuarial accrued liability that is attributable to the termination benefits for the UCRP or OPEB Plan, if any.

GASB Statement No. 47:

- Generally prescribes new reporting requirements, rather than amending previous guidance, including previous guidance in National Council on Government Accounting (NCGA) Interpretation 8 for "special termination benefits," defined as those "offered for a short period of time".
- Is effective for FY 2005-2006. Depending on materiality, the cumulative effect of applying this Statement should be reported as a restatement of beginning net assets for the liability at June 30, 2005 associated with termination plans or benefits that are in effect as of June 30, 2005.
- Does not apply to the separately audited UCRP financial statements since UCRP has no employees. However, in the future, to the extent that the UCRP becomes obligated for termination benefits authorized by the University, the effect on the University's financial statements will be reported by UCOP through the application of GASB Statement No. 27.

I. INTRODUCTION (Cont.)

- Does not apply to the separately audited UC Retirement Savings Plans, including 403(b), 457(b) and PERS-VERIP plans since they have no employees.
- Does not apply to the separately audited OPEB financial statements (once the OPEB Trust is established on July 1, 2007) since the OPEB Trust has no employees. However, in the future, to the extent that the OPEB Trust becomes obligated for termination benefits authorized by the University, the effect on the University's financial statements will be reported by UCOP through the application of GASB Statement No. 45.
- Does not apply to the campus foundations since they have no employees.
- Applies to the separately audited Medical Center, UC Press and Continuing Education of the Bar (CEB) financial statements.
- Does not apply to the separately audited Health and Welfare Plan financial statements since the Plan has no employees.

This chapter is prepared in order to outline the University's approach to the application of GASB Statement No. 47 to the University's financial statements. Decision trees for financial reporting at fiscal year-end are provided in Exhibit 1, *Voluntary Termination Benefits*, and Exhibit 2, *Involuntary Termination Benefits*.

II. TYPES OF BENEFITS THAT DO NOT APPLY UNDER GASB STATEMENT NO. 47

Certain benefit situations at the University a) do not fit the definition of a termination benefit as used in GASB Statement No. 47 or b) are addressed through the UCRP or OPEB Plan. These situations include:

- Health Coverage—An eligible employee who voluntarily or involuntarily separates from University employment normally receives health care benefits (for purposes of this chapter, health care benefits include medical, dental and vision coverage) for the entire month in

which he or she terminated employment and for an additional month after the month of termination. This benefit is provided in part because the University pays benefits premiums on an advance basis.

The University does not view this arrangement as a termination benefit, therefore it does **not** meet the definition of a termination benefit. The benefit relates to a) the billing arrangement the University has with its carriers as part of its ongoing benefit program for employees providing services to the University and b) is related to their active service.

- Consolidated Omnibus Budget Reconciliation Act (COBRA)—COBRA/continuation health coverage is provided to employees as a result of either a voluntary or involuntary termination of employment or layoff. The University, however, does not contribute toward the cost of group health coverage under COBRA. The employee must pay the full monthly COBRA premium.

This benefit does **not** meet the definition of a termination benefit since the University has no liability in connection with the continued coverage.

- Senior Management Severance Pay Plan (SMSPP)—Senior managers who voluntarily separate from the University receive their accumulated SMSPP accruals, plus interest. However, the nature of the plan is more related to a deferred benefit compensation arrangement that provides a benefit in exchange for employee services, rather than to provide a benefit in exchange for the early termination of services. Therefore, the SMSPP is **not** a termination benefit as defined in GASB Statement No. 47.

While the SMSPP benefit is not a termination benefit, under University policy, these SMSPP costs are accrued on an ongoing basis and the appropriate liability is recorded in the General Ledger. Therefore, other than determining there is an adequate accrual for the SMSPP under existing University policy, there are no additional adjustments that need to be considered as a result of GASB Statement No. 47.

II. TYPES OF BENEFITS THAT DO NOT APPLY UNDER GASB STATEMENT NO. 47 (Cont.)

- Enhancements to the Pension Benefits Provided by the UCRP—If enhancements to the UCRP benefits, such as additional credit for years of service, an increase in the benefit calculation multiplier, etc., are provided to employees who voluntarily terminate their services, the enhancements are being provided as part of the defined benefit pension plan through the UCRP, therefore they are obligations of the UCRP and do not qualify as termination benefits that campuses would record under GASB Statement No. 47. This situation is recognized as a liability and expense of the University through the application of GASB Statement No. 27.
  
- Expanded Annuitant Health Care Coverage Provided by the OPEB Plan—If enhancements to the annuitant health benefits provided under the OPEB Plan are provided to employees who voluntarily terminate their services, the enhancements are being provided as part of the defined benefit OPEB plan through the OPEB Trust (anticipated to be effective July 1, 2007), therefore they are obligations of the OPEB plan and do not qualify as termination benefits under GASB Statement No. 47 that campuses would record. UCOP recognizes this situation as a liability and expense to the University through the application of GASB Statement No. 45.

III. VOLUNTARY AND INVOLUNTARY TERMINATION BENEFITS

**Voluntary termination benefits** are those provided to employees as a) an inducement to hasten the termination of services or b) as a result of a voluntary early termination plan. The University's obligation to provide benefits for voluntary terminations generally arises as a result of a bilateral agreement in which the University agrees to provide benefits, such as early-retirement incentive benefits, in exchange for which the employee agrees to leave service earlier than he or she otherwise would.

**Involuntary termination benefits** are those provided as a consequence of the involuntary termination of services. In contrast to voluntary terminations, involuntary terminations result from a unilateral decision by the University, such as a lay-off. The conditions for involuntary terminations are outlined in personnel policy which provides the basis for conveying these types of benefits to employees.

A. WHEN THE LIABILITY ASSOCIATED WITH VOLUNTARY TERMINATIONS IS RECOGNIZED

For voluntary termination benefits, a liability and expense is recognized when both of the following have been completed:

- The employee(s) accepts the offer, and
- The amount of the liability can be estimated.

B. WHEN THE LIABILITY ASSOCIATED WITH INVOLUNTARY TERMINATIONS IS RECOGNIZED

For involuntary termination benefits, a liability and expense is recognized when **all** of the following have been completed:

- A plan of termination has been approved by those with the authority to commit the University to the plan, **and**
- That plan has been communicated to the employees, **and**
- The amounts can be estimated (reference Financial Accounting Standards Board (FASB) Statement No. 5).

Recognition of those in a position to approve a plan requires the judgment of the Controller. For University-wide plans, the President or The Regents may be recognized as the appropriate authority. For plans that involve a few individuals or departments, the campus Human Resources Department (or other departments depending on the situation) may be recognized as the appropriate authority.

III. VOLUNTARY AND INVOLUNTARY TERMINATION BENEFITS (Cont.)

A "plan" of involuntary termination is one that:

- Identifies, at a minimum, the number of employees to be terminated, the job classifications or functions that will be affected and their locations, and when the terminations are expected to occur, **and**
- Establishes the terms of the termination benefits in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated.

However, if a plan of involuntary termination requires the employee to render future service in order to receive termination benefits, the University must recognize a liability and an expense for the portion of involuntary termination benefits that will be provided after completion of the future service ratably over the future service period, beginning when the plan otherwise meets the recognition criteria discussed above.

C. FISCAL YEAR-END REVIEW BY CAMPUS CONTROLLER

In general, the provisions of Statement 47 do not apply to typical, normal and routine voluntary or involuntary terminations and the resulting benefit arrangements between the employee and the University.

The Controller should make inquiries of the Human Resources Department (or other departments, as necessary) in conjunction with closing the accounts at fiscal year-end to determine whether there are non-routine voluntary or involuntary termination arrangements on the campus that may involve a substantial number of individual employees, or group of employees, meeting the criteria for liability recognition that collectively result in material amounts (see Exhibits 1 and 2). Situations involving

individual employees may not result in material amounts unless the non-routine termination benefits meeting the criteria for liability recognition are so substantial that the resulting liability is material to the campus financial statements.

In the event the University adopted a large-scale, age-related, University-wide Voluntary Early Retirement Incentive Program (VERIP), or involuntary termination program, the provisions of GASB Statement No. 47 would apply, although the effect may be reported by UCOP through the application of GASB Statement No. 27 for pensions or GASB Statement No. 45 for OPEB. In this situation, working with Campus Controllers, specific guidance will be provided by UCOP Financial Management that may incorporate some of the more detailed provisions of GASB Statement No. 47 such as using age-adjusted premiums, health care cost trend ratios, discount rates, etc.

D. APPLICABLE BENEFITS UNDER GASB STATEMENT NO. 47

In general, the applicable benefits discussed in GASB Statement No. 47 are those over and above the normal benefits provided upon termination that are not provided through the UCRP or the OPEB Trust and are effectively inducements for the employee to terminate their services. The table below outlines the types of benefits that may apply under GASB Statement No. 47 and whether they apply to voluntary termination benefits and/or involuntary termination benefits. Such benefits may be paid to the employees or paid on the employees behalf.

III. VOLUNTARY AND INVOLUNTARY TERMINATION BENEFITS (Cont.)

Benefit	Benefit applies to..	
	Voluntary Termination	Involuntary Termination
<p>▪ <b>Health Coverage</b>—An employee separated through temporary lay-off may continue to participate in the University's group health plan by paying his or her health premiums for up to four (4) months beginning on the first day of the employee's temporary layoff. The University will pay up to three (3) months of contributions.</p> <p>For an employee terminated through temporary lay-off and not rehired, the three months of coverage would be subject to the requirements of Statement No. 47. However, if the employee is rehired before the end of the three month period, then the benefits would be treated as benefits provided to an employee while on leave without salary.</p>	N/A	Yes
<p>▪ <b>Expanded Health Care Coverage</b>—If a terminated employee receives health care coverage beyond what is offered under University policy, and the cost of the expanded coverage is paid by the University, it would qualify as a termination benefit as defined in Statement No. 47 for which a liability and expense should be recognized at each individual location. However, if this benefit is being provided to an annuitant as part of the defined benefit OPEB plan through the OPEB Trust, it does not qualify as a termination benefit under GASB Statement No. 47. That situation is recognized as a liability and expense at UCOP through the application of GASB Statement No. 45.</p>	Yes	Yes
<p>▪ <b>COBRA Benefits Paid By The University</b>—If a terminated employee receives COBRA coverage beyond what is offered under University policy, and the cost is paid by the University, it would qualify as a termination benefit as defined in GASB Statement No. 47 for which a liability and expense should be recognized at each individual location. However, if this benefit is being provided to an annuitant as part of the defined benefit OPEB plan through the OPEB Trust, it does not qualify as a termination benefit under GASB Statement No. 47. That situation is recognized as a liability and expense at UCOP through the application of GASB Statement No. 45.</p>	Yes	Yes

Benefit	Benefit applies to...	
	Voluntary Termination	Involuntary Termination
<p>▪ <b>Expanded Annuitant Health Care Coverage Not Provided by the OPEB Plan</b>—If the University provides and pays for enhancements to the annuitant health benefits for an employee who terminates services, and for some reason (including occurrences prior to the implementation of GASB Statement No. 45 in 2007-2008) the enhancements are not being provided as part of the defined benefit OPEB plan through the OPEB Trust, the expanded health care coverage would qualify as a termination benefit as defined in GASB Statement No. 47 for which a liability and expense should be recognized at each individual location.</p>	Yes	Yes
<p>▪ <b>Severance Pay</b>—Managers, senior professionals or others may receive severance pay, at the discretion of the Chancellor, in the amount of one month of pay, or less, for each completed year of continuous University service up to a maximum of six months of severance pay. Senior Managers who have been terminated may receive financial assistance, subject to approval by the Chancellor, the President, or The Regents as required. Severance compensation may also be approved in the case of a faculty member with tenure or security of employment whose resignation is deemed to be in the interest of the University; the authority in such cases rests with the President following consultation with the respective Chancellor, who must consult with the appropriate advisory committee(s) of the Academic Senate. Severance payments in this regard do not include payments under any remaining frozen balances in the Senior Management Severance Pay Plan (SMSPP).</p>	Yes	Yes
<p>▪ <b>Cash Payouts at or Following Termination</b>—If a terminated employee receives cash payouts associated with an inducement to terminate, either a lump-sum or over a period of time, including payments made in lieu of notice or to purchase an annuity contract (see Section IV.C), they would qualify as a termination benefit as defined in GASB Statement No. 47 for which a liability and expense should be recognized at each individual location. These payments must be distinguished from payments that may be made for employee services already provided, such as cash out for the SMSPP, accrued vacation, sick leave, etc.</p>	Yes	Yes

III. VOLUNTARY AND INVOLUNTARY TERMINATION BENEFITS (Cont.)

Benefit	Benefit applies to...	
	Voluntary Termination	Involuntary Termination
<ul style="list-style-type: none"> <li>▪ <b>Career Counseling or Job Placement Services-</b>  Managers and senior professionals may be assisted with outplacement services and career counseling, at the discretion of the department. If a terminated employee receives career counseling or job placement services paid by the University, they would qualify as a termination benefit as defined in GASB Statement No. 47 for which a liability and expense should be recognized at each individual location.</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li>▪ <b>Other-</b>As part of a settlement agreement an employee may be awarded attorneys' fees, damages or interest on back pay. An employee may also receive reimbursement for moving and relocation expenses. If a terminated employee receives such benefits, they would qualify as a termination benefit as defined in GASB Statement No. 47 for which a liability and expense should be recognized at each individual location.</li> </ul>	Yes	Yes

IV. MEASURING AND RECORDING THE LIABILITY

The University will measure and report the cost of termination-related benefits by calculating the value of expected future benefit payments, in accordance with the following requirements.

A. HEALTH CARE-RELATED TERMINATION BENEFITS

All health care-related termination benefits that qualify under the definitions contained in this chapter must be recorded during the year, segregated between those associated with voluntary terminations and those associated with involuntary terminations.

In addition, at year-end the outstanding liability associated all health care-related termination benefits that qualify under the definitions contained in this chapter must be recorded, segregated between those associated with voluntary terminations and those associated with involuntary terminations.

The University's liability for health care-related benefits associated with terminated employees, excluding health care costs for annuitants paid out of the OPEB Trust, who continue to participate in the University's group health plan will be calculated and discounted (if the payments extend beyond one year) using the University's Short-Term Investment Pool (STIP) rate in effect at the end of the year for purposes of recording the liability and expense.

**Note:** For terminated employees under large-scale, age-related programs that are allowed to continue to participate in the same health care plan as active employees, GASB Statement No. 47 requires the University to segregate the cost of providing the benefit to the terminated employee by calculating the age-adjusted premiums approximating claims costs as opposed to using the overall group rate. In addition, the Statement requires the projection of future benefits to include an assumption regarding the health care cost trend rate. However, unless the University's termination plan involves such a significant number of employees that this difference is considered to be substantial, the University will use the group rate in the calculation of liability and expense. If there are a significant number of employees that are terminated under a large-scale, age-related program, specific guidance will be provided by UCOP Financial Management.

B. NON-HEALTH CARE-RELATED TERMINATION BENEFITS

All non-health care related termination benefits that qualify under the definitions contained in this chapter must be recorded during the year, segregated between those associated with voluntary terminations and those associated with involuntary terminations.

In addition, at year-end the outstanding liability associated with all non-health care-related termination benefits that qualify under the definitions contained in this chapter must be recorded, segregated between those associated with voluntary terminations and those associated with involuntary terminations.

IV. MEASURING AND RECORDING THE LIABILITY (Cont.)

## B. NON-HEALTH CARE-RELATED TERMINATION BENEFITS (Cont.)

If the University has agreed to pay specific amounts on fixed or determinable dates for non-health care-related benefits in the future, excluding non-health care costs for retirees paid out of the UCRP, the amounts recorded will be discounted (if the payments extend beyond one year and including an assumption regarding any changes in future benefit payments), using the STIP rate in effect at the end of the year for purposes of recording the liability and expense.

If the University has agreed to pay non-health care-related benefits in the future, excluding non-health care costs for retirees paid out of the UCRP, for which the amount or timing of benefit payments is **not** fixed or determinable, the amounts must be estimated and will then also be discounted (if the payments extend beyond one year and including an assumption regarding any changes in future benefit payments) using the STIP rate in effect at the end of the year for purposes of recording the liability and expense. If the amounts cannot be estimated, there is no liability or expense recognized, although disclosure of these circumstances is required.

## C. ANNUITIES

If the employee is offered an annuity as part of a termination benefit, it would initially require recognition of both an expense and a liability when the employee accepts the offer and the amounts can be estimated. However, as noted in the Statement, measurement of the liability should be updated, and any incremental liability and expense (positive or negative) should be recognized, as of the end of each subsequent reporting period.

Generally, subsequent to the offer by the University to purchase an annuity for the separating employee, and the separating employee's acceptance of the offer, the University will purchase an annuity contract from an outside party, typically an insurance company. Under such contracts, the annuity is required to be purchased in the University's name rather than the

name of the employee (see Accounting Manual chapter P-196-76, Payroll: Settlement Payments). The substance of the terms and conditions between the University, the separated employee and the insurance company involved in these annuity contracts must be evaluated. In that regard, 1) if the separated employee signs an agreement releasing the University from all future claims, 2) a review of the annuity contract between the University and the insurance company confirms that the liability risk has been fully transferred to the insurance company through the University's payment of a single premium, and 3) there is no provision for the liability to revert back to the University, then the likelihood that the University will be required to make future payments on those claims is remote. In these circumstances, the University is deemed to have satisfied its liability to the terminated employee. Accordingly, the initial termination liability recorded that was related to separation offer is now satisfied by the purchase of the annuity contract and the termination liability should therefore be relieved.

#### D. ACCOUNTING AND REPORTING

##### 1. Object Codes

Object codes (OC) have been established that roll up into Termination Benefits contained in both the Salaries and Wages and Other Employee Benefits lines in the statement of revenues, expenses and changes in net assets. They are:

- In the Salaries and Wages line:
  - Termination Benefits-Voluntary OC 1610
  - Termination Benefits-Involuntary OC 1620
- In the Other Employee Benefits line:
  - Termination Benefits-Voluntary OC 8770
  - Termination Benefits-Involuntary OC 8775

IV. MEASURING AND RECORDING THE LIABILITY (Cont.)

## D. ACCOUNTING AND REPORTING (Cont.)

1. Object Codes (Cont.)

These object codes will be used for payments made throughout the year outside the payroll system, for manually accruing end-of-year expenses, or for payments made through the payroll system identified through Description of Service (DOS) codes shown in Section IV.D.3.

2. Account Group Codes

Balance sheet accounts have been established that roll up into Account Group Codes (AGC) contained in both the Other Employee Benefits and Other Noncurrent Liabilities lines in the statement of net assets. They are:

- In the Other Employee Benefits (Current Liability) line:

CL-Termination Ben Liab.-Salaries & Wages-Voluntary AGC 164221

CL-Termination Ben Liab.-Salaries & Wages-Involuntary AGC 164222

CL-Termination Ben Liab.-Other Employee Benefits-Voluntary AGC 164223

CL Termination Ben Liab.-Other Employee Benefits-Involuntary AGC 164224

- In the Other Noncurrent Liability (Noncurrent Liability) line:

NL-Termination Ben Liab.-Salaries & Wages-Voluntary AGC 165561

NL-Termination Ben Liab.-Salaries & Wages-Involuntary AGC 165562

NL-Termination Ben Liab.-Other Employee Benefits-Voluntary AGC 165563

NL Termination Ben Liab.-Other Employee Benefits-Involuntary AGC 165564

3. Description of Service Codes

The following table outlines the appropriate DOS codes, Object Codes and Account Group Codes to be used for the different types of termination benefits expense categories.

Operating Statement	Balance Sheet			
	Current Liability		Noncurrent Liability	
	Voluntary	Involuntary	Voluntary	Involuntary
<b>Salaries &amp; Wages</b>				
Termination Benefits:	OC 1610, AGC 164221	OC 1620, AGC164222	AGC 165561 <sup>1</sup>	AGC 165562 <sub>1</sub>
Cash Payouts:				
Lump Sum	DOS Code VTL	DOS Code ITL	-	-
Monthly	DOS Code VTR	DOS Code ITR	-	-
Severance	DOS Code VTS	DOS Code ITS	-	-
Pay in lieu of notice	-	DOS Code ITP	-	-
<b>Other Benefits Expense</b>				
Termination Benefits:	OC 8770, AGC 164223	OC 8775, AGC164224	AGC 165563 <sup>1</sup>	AGC 165564 <sub>1</sub>
Temporary Layoff Health Care	X	X	-	-
Expanded Health Care Coverage				
Employer portion	X	X	-	-
Expanded Health Care Coverage- Annuitant				
Employer portion	<sup>2</sup>	<sup>2</sup>	-	-
COBRA-Paid by UC	X	X	-	-
Career counseling	X	X	-	-
Job placement services	X	X	-	-

<sup>1</sup> At year-end, reclassify any amounts that will not be paid within the next fiscal year to a noncurrent liability.

<sup>2</sup> Only applicable through June 30, 2007. All OPEB costs are anticipated to be paid through the OPEB Trust beginning July 1, 2007, therefore any termination benefit liabilities will be recorded in accordance with GASB Statement No. 45.

IV. MEASURING AND RECORDING THE LIABILITY (Cont.)D. ACCOUNTING AND REPORTING (Cont.)4. Accounting for Annuities

When an annuity is purchased, the following entry will be made:

Dr. Termination Benefits-Voluntary OC 8770  
or  
Dr. Termination Benefits-Involuntary OC 8775  
Cr. Cash

Receipt of payment from annuity provider:

Dr. Cash  
Cr. Termination Benefits-Voluntary OC 1610  
or  
Cr. Termination Benefits-Involuntary OC 1620

Payment to terminated employee through the Payroll System:

Dr. Termination Benefits-Voluntary OC 1610  
or  
Dr. Termination Benefits-Involuntary OC 1620  
Cr. Cash

V. DISCLOSURES

If material, the University must disclose in the notes to financial statements:

- A description of the termination benefit arrangements (for example, information about the types of benefits provided, the number of employees affected, the period of time over which the benefits are expected to be provided, etc.), and
- The cost of termination benefits in the period that it becomes obligated if that information is not otherwise evident from information in the primary statements. The methods and assumptions used to determine the

liabilities must also be disclosed (e.g., the discount rate, the health care trend rate, etc.).

For benefits provided through the UCRP or OPEB Trust, the change in actuarial accrued liability attributable to the termination benefits must be disclosed.

#### VI. REFERENCES

GASB Statement No. 47, *Accounting for Termination Benefits*

UCOP-Financial Management Implementation Document, *GASB Statement No. 47, Accounting for Termination Benefits*, dated December 5, 2005

Accounting Manual chapter:

P-196-76 Payroll: Settlement Payments

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Historical note: Accounting Manual chapter first published 6/30/06; analyst--Barbara Lester.

EXHIBIT 1 VOLUNTARY TERMINATION BENEFITS FISCAL YEAR-END CONSIDERATIONS

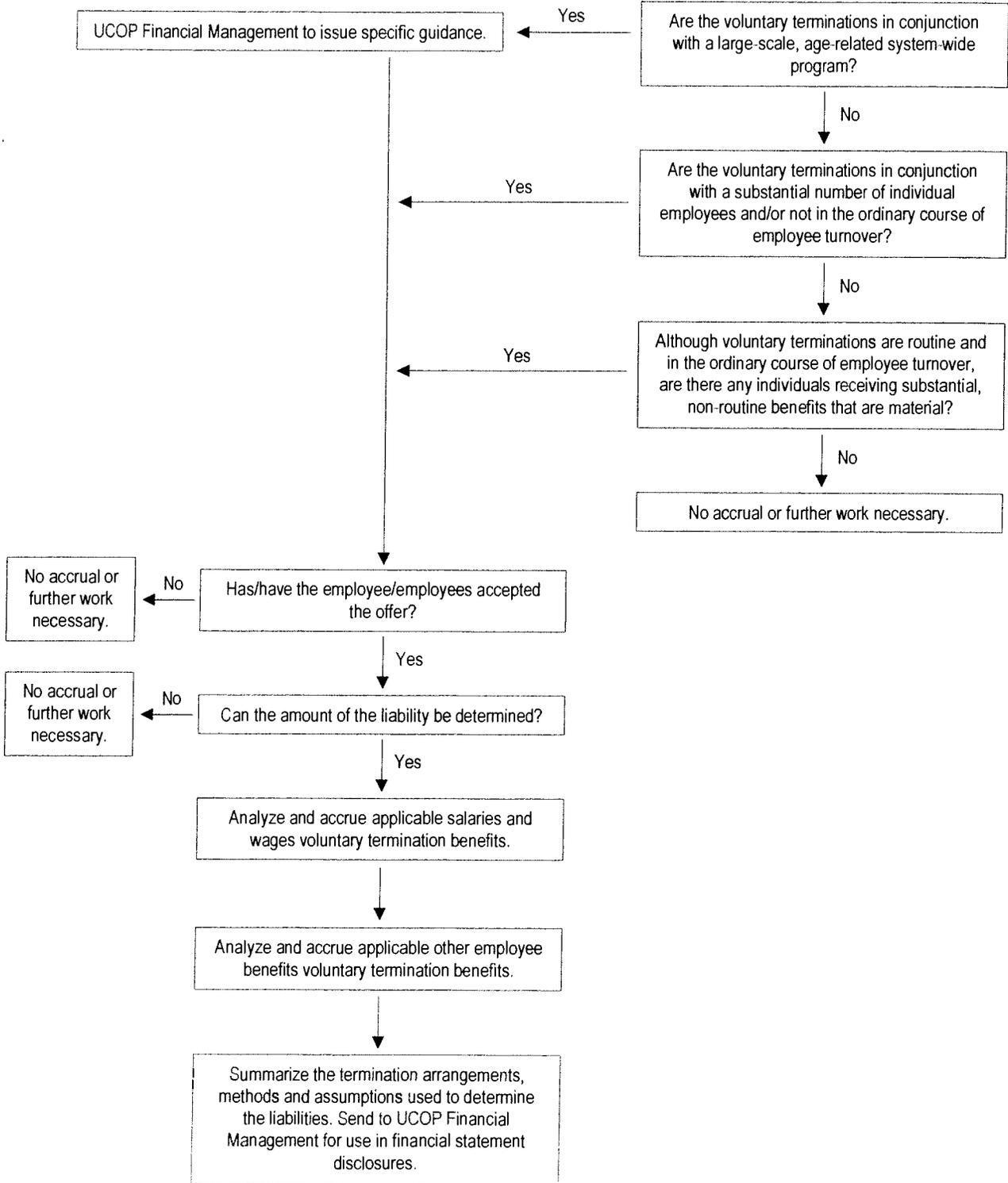


EXHIBIT 2 INVOLUNTARY TERMINATION BENEFITS FISCAL YEAR-END CONSIDERATIONS

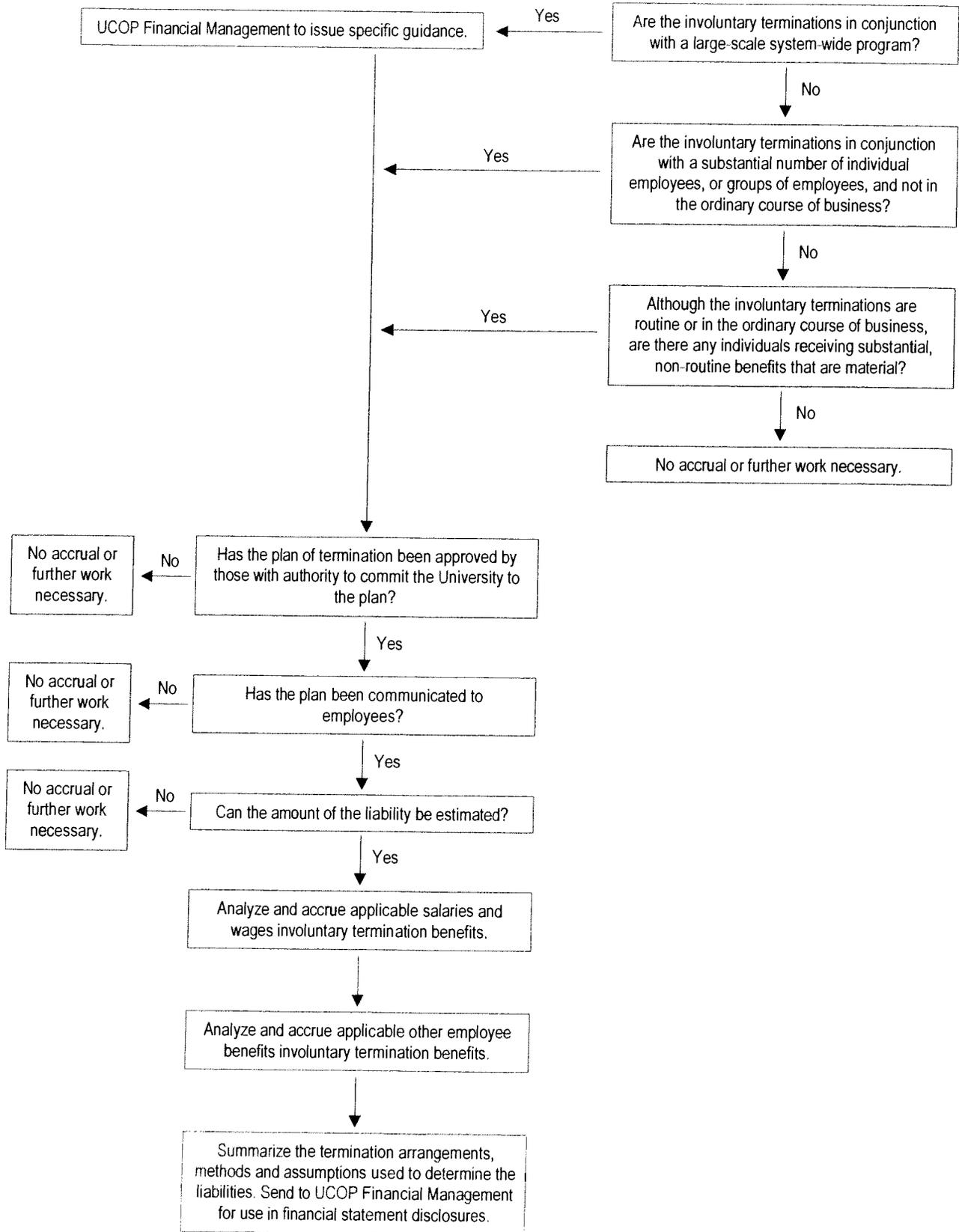


EXHIBIT 3 CFR FOOTNOTE DISCLOSURE REPORT**Footnote Disclosure: Voluntary & Involuntary Termination Benefits**

For the year ended June 30, XXXX, with comparative totals for June 30, XXXX

CFR XXXX (in thousands of dollars)

Debit (Credit)

	Current Year	Prior Year
<b>VOLUNTARY &amp; INVOLUNTARY TERMINATION BENEFITS EXPENSE</b>		
<b>Voluntary Termination Benefits Expense</b>		
Salaries and Wages	OC 1610	OC 1610
Other Employee Benefits	OC 8770	OC 8770
Subtotal Voluntary Terminations Benefits Expense	Sum	Sum
<b>Involuntary Termination Benefits Expense</b>		
Salaries and Wages	OC 1620	OC 1620
Other Employee Benefits	OC 8775	OC 8775
Subtotal Involuntary Terminations Benefits Expense	Sum	Sum
Total Voluntary & Involuntary Termination Benefits Expense	Sum	Sum
<b>VOLUNTARY &amp; INVOLUNTARY TERMINATION BENEFIT LIABILITIES</b>		
<b>Current Liabilities</b>		
CL-Termination Benefits Liability-Salaries & Wages-Voluntary	AGC 164221	AGC 164221
CL-Termination Benefits Liability-Salaries & Wages-Involuntary	AGC 164222	AGC 164222
CL-Termination Benefits Liability-Other Employee Benefits-Voluntary	AGC 164223	AGC 164223
CL-Termination Benefits Liability-Other Employee Benefits-Involuntary	AGC 164224	AGC 164224
Subtotal Termination Benefit Liability - Current	Sum	Sum
<b>Noncurrent Liabilities</b>		
NL-Termination Benefits Liability-Salaries & Wages-Voluntary	AGC 165561	AGC 165561
NL-Termination Benefits Liability-Salaries & Wages-Involuntary	AGC 165562	AGC 165562
NL-Termination Benefits Liability-Other Employee Benefits-Voluntary	AGC 165563	AGC 165563
NL-Termination Benefits Liability-Other Employee Benefits-Involuntary	AGC 165564	AGC 165564
Subtotal Termination Benefit Liability - Noncurrent	Sum	Sum
Total Termination Benefit Liabilities	Sum	Sum