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SR 16980 Requirements
GASB Statement #47, Voluntary and Involuntary Termination Benefits

Objective:

To record termination benefits into two categories, voluntary and involuntary

Project Type:

This is a new process to be added to the Payroll/Personnel System in response to the Governmental Accounting Standards Board, Statement #47.

Requested by:

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Due Date:

The GASB requirement went into effect July 1, 2005

GASB Statement #47 – Voluntary and Involuntary Termination Benefits

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Attachment A: DOS Table

Attachment B: Voluntary and Involuntary Termination Benefits Detailed Report

Attachment C: Voluntary and Involuntary Termination Benefits Summary Report

GASB Statement #47 – Voluntary and Involuntary Termination Benefits

I. Background

Governmental Accounting Standards Board (GASB) Statement #47 requires two classification types of termination benefits – voluntary and involuntary. Voluntary termination benefits include inducements to hasten separation from employment or as a result of voluntary termination. Involuntary termination benefits include benefits provided as a direct result of an involuntary termination. When an employee receives termination benefits, the Distribution of payroll Expense and General Ledger must records the cash-out payments separately from other salaries and wages and their associated fringe benefits. Fringe benefits should include Retirement, OASDI, Medicare, health insurance (medical, vision, dental, life, and disability insurance), Workers Compensation, and Unemployment Insurance. GASB Statement #47 went into effect July 1, 2005.

II. Current Process

None

III. Proposed Process

To distinguish the cash-out payments, departments should use the newly established Description of Service (DOS) codes to categorize the payments where new object codes will record the payments as voluntary or involuntary termination benefits in the Distribution of Payroll Expense. The Distribution of Payroll Expense process should continue to use the existing object codes to record the fringe benefits.

The new process should extract from the Expense Distribution Workfile (EDW), which is an extract of the Distribution of Payroll Expense file, all pay distribution entries associated with the new voluntary and involuntary termination benefits object codes. Two new reports should display the extracted data for use by the Controller.

IV. Description of Service Codes, Object Codes, and Corporate Personnel System Codes

The new Description of Service (DOS) Codes, Object Codes, and Corporate Personnel System (CPS) Codes are below:

DOS	Description	Usage	Object Code	CPS Code
VTL	Voluntary Termination – Lump Sum	Settlement payments	1610	TV
VTR	Voluntary Termination – Regular Pay	Pay in monthly increments	1610	TV
VTS	Voluntary Termination – Severance	By agreement payments	1610	TV
ITL	Involuntary Termination – Lump Sum	Settlement payments	1620	TI
ITR	Involuntary Termination – Regular Pay	Pay in monthly increments	1620	TI
ITS	Involuntary Termination - Severance	By agreement payments; for example, one month pay for each year worked	1620	TI
ITP	Involuntary Termination – Pay in Lieu of Notice	Regular pay in lieu of notice	1620	TI

Although users should continue to have the ability to process the following DOS codes in the Distribution of Payroll Expense process, users should be prevented from adding the codes to the EDB or paying the codes using the AP, FT, LX, RA, RX, RA, ST, TE, and TX transaction type in the compute process

PLN – Pay in Lieu of Notice
SEV – Severance Pay

Each location should check its DOS table for any local codes, such as

PIL – Pay in Lieu of Notice (UCSC)
SVN – Severance Pay (UCSB)
SVX – Severance Pay (UCLA)

It has been suggested that the DOS codes be added to an installation constant to achieve this blocking.

V. Edits

Wherever applicable, existing generic edits and messages should be used to edit the new DOS codes.

A. EDB Edits

The Voluntary and Involuntary Termination DOS codes should not be established on the employee's Employee Data Base (EDB) record. These DOS codes should be permitted only for processing on pay transactions. A 08 and 12 edit should be

added to the EDB Entry/Update processing in both batch and online to prevent the establishment of a Voluntary or Involuntary Termination DOS code. A suggested edit message is “Vol/Invol Term DOS not permitted on EDB.” This edit should have the severity level of employee reject.

The DOS codes SEV and PLN should not be established on the EDB. Currently, the system issues Message 08-102 – “This DOS code should not be established on the EDB” when a user enters SEV. However, when the user enters PLN, the system does not issued message 08-102. The edit criteria for this message should include PLN and the other local codes.

B. Payroll Compute Edits

The only Payroll Transaction type allowed with any of the termination benefits DOS code is “AP” – Additional Pay. DOS codes VTR, ITR, and ITP require a pay rate and a percentage or hours. DOS codes VTL, VTS, ITL, and ITS require a by agreement type payment. When the user enters DOS codes VTL, VTS, ITL, or ITS with a pay rate and percentage/hours on a pay input transaction, the pay compute process should apply the existing edit 36-042, “Time must not be entered for this Desc of Service.” When a user enters DOS codes VTR, ITR, and ITP without a pay rate and percentage/hours, the process should apply the existing edit 36-040, “Time must be entered for Description of Service.”

Pay transactions with DOS codes SEV and PLN should not be processed into the Transaction Holding File. When a user enters a pay transaction using SEV or PLN, or other local codes, the transaction should be rejected.

C. Rush Checks and ORCA

As necessary, the Online Rush Check and the Online Overpayment, Reversal, Cancellation, and Adjustment processes should be modified to process Voluntary and Involuntary Termination Benefits DOS codes as it is likely that these payments will be subject to the 72 hour payment rule.

VI. CICS and WEB Screens

No changes.

VII. Reports

A report extracted from the EDW should show the Voluntary and Involuntary Termination pay outs made each month. The report, Voluntary and Involuntary Terminations Benefits Detailed Report, should display the following information:

Data Element Description	Data Element Number
Location	PAR 3070
Sub-Location	PAR 4025
Full Accounting Unit	PAR 3070, 3080, 3085, 3090, 3095, 3100
Employee Name	PAR 0571
Employee Identification Number	PAR 0120
Pay Period End Date	PAR 3750
Title Code	PAR 3846
DOS Code	PAR 3870
Object Code	Based upon TC on EDW
Percentage/Hours	
Pay Rate	PAR 3260
Gross Amount	Calculated
Fringe Benefit Amount	
Sub-total by FAU	
Payment Total by Object Code	
Fringe Benefits Total by Object Code	

From the extracted file, the reporting process should sort all Voluntary and Involuntary payments and associated fringe benefits by the object code assigned to the DOS code. The process should sort the data by location code, sub-location code, FAU, then by employee name. The process should total the payments and fringe benefits by FAU. The process should summarize the Payment Total and Fringe Benefits Total by each Object Code. Attachment B is a suggested report layout.

The reporting process should accumulate the payout and fringe benefits totals by object code on a fiscal year basis, July 1 (Month 01) through June 30 (Month 12) by location code (numeric and alphabetic). Attachment C is a suggested report layout.

When the process does not record any payment details during the month-end processing, the detailed report should not be issued. However, the summary report should be issued showing the fiscal year-to-date totals.

Systematically at the end of each fiscal year (that is, after the production of June earnings reports), the accumulated fiscal year-to-date balances should be initialized in preparation for the new fiscal year.

VII. Interfaces

Campuses should modify, as necessary, their local general ledger systems to record the new object codes as salaries and wages payable.

The Corporate Personnel System should be modified to accept and record the new CPS codes, “TV” – Termination Voluntary and “TI” – Termination Involuntary.

The new DOS codes and object codes should not have an adverse effect on the Transfer of Payroll Expense process.

Attachment B

Standard Report Headings

Process Month: September 2005

Voluntary and Involuntary Termination Benefits Detailed Report

Employee Name	Employee ID	Pay Period	Title	DOS	Object	%/Hours	Pay Rate	Amount	Benefits
Location 03 Sub-Location GN									
FAU: 3-660100-cccc-33333-pppppp-2									
Yates, Rowdy	456123789	093005	2310	VTL	1610	1.0000	20000.00	20000.00	600.00
Sub-Total by FAU								20000.00	600.00
Location 03 Sub-Location MD									
FAU: 3-404918-cccc-33333-pppppp-2									
Smith, Sandy	123456789	093005	7510	VTR	1610	1.0000	5000.00	5000.00	950.00
Thomas, Gregory	987654321	083105	9613	VTS	1610		10000.00	10000.00	1000.00
Sub-Total by FAU								15000.00	1950.00
FAU: 3-404918-cccc-33333-pppppp-2									
Brown, Betty	234567890	093005	7510	ITR	1620	1.0000	4000.00	4000.00	150.00
Gregory, Richard	876543219	083105	9613	ITS	1620		10000.00	10000.00	1000.00
Sandy, Christine	561237894	093005	1200	ITL	1620		200.00	200.00	60.00
Smith, Ralph	654321987	091503	4673	ITP	1620	.5000	3600.00	1800.00	175.00
Sub-Total by FAU								16000.00	1385.00
Total by Object Code 1610								35000.00	2550.00
Total by Object Code 1620								16000.00	1385.00

Attachment C

Standard Report Headings

Process Month: September 2005

Voluntary and Involuntary Termination Benefits Summary Report

	Accumulated		Current Month		Year-to-Date	
	Payout	Benefits	Payout	Benefits	Payout	Benefits
Total by Object Code 1610	25000.00	550.00	35000.00	2550.00	60000.00	3100.00
Total by Object Code 1620	10000.00	385.00	16000.00	1385.00	26000.00	1770.00