
JUNE 2022

Governmental Accounting Standards Series

Statement No. 101 of the
Governmental Accounting
Standards Board

Compensated Absences



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

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Summary

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Recognition and Measurement

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

Notes to Financial Statements

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

Effective Date

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

Certain decisions made by the Board were intended to mitigate the costs associated with this Statement, such as (1) providing exceptions for certain types of compensated absences to the general recognition approach, (2) using a current value measurement rather than requiring complex calculations that may necessitate the use of an actuary, and (3) not requiring the disclosure of specific information for which the expected benefits do not justify the perceived costs.

The Board believes that the expected benefits that will result from the implementation of this Statement—more relevant, reliable, consistent, and comparable information about compensated absences—are significant and justify the perceived costs of implementation and ongoing compliance.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.

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Standards Board

Compensated Absences

June 2022



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
of the Financial Accounting Foundation
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Statement No. 101 of the Governmental Accounting Standards Board

Compensated Absences

June 2022

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Statement No. 101 of the Governmental Accounting Standards Board

Compensated Absences

June 2022

INTRODUCTION

1. Governments commonly provide benefits to employees in the form of compensated absences. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

2. This Statement establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary-related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement apply to the financial statements of all state and local governments.

3. A *compensated absence* is leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. The payment or settlement could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation (or annual) leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave.

4. Sabbatical leave during which an employee is not required to perform any significant duties for the government (unrestricted sabbatical leave, as used in this Statement) is a compensated absence. Sabbatical leave during which an employee is required to perform duties of a different nature for the government (for example, research instead of teaching) is not a compensated absence.

5. As used in this Statement, *termination of employment* refers to the end of an employee's active service, which can occur for a variety of reasons, including voluntary resignation or retirement.

6. This Statement does not apply to benefits that are within the scope of Statement No. 47, *Accounting for Termination Benefits*, as amended.

7. This Statement supersedes Statement No. 16, *Accounting for Compensated Absences; Implementation Guide No. 2015-1*, Questions 5.255.1, Z.16.1, and Z.16.2; Implementation Guide No. 2016-1, *Implementation Guidance Update—2016*, Question 5.37; Implementation Guide No. 2017-2, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Questions 4.20 and 4.21; and Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Questions 4.18, 4.19, and 4.496. This Statement amends NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, paragraphs 42, 43, and 158; Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 119; Statement No. 68, *Accounting and Financial Reporting for Pensions*, paragraphs 123, 126–128, 132, and 133; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, paragraphs 102, 105–107, 111, and 112; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, paragraphs 10 and 63 and footnote 6; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, paragraphs 8, 230, 233–235, 239, 240, and 246 and footnote 5; GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, paragraph 14; Implementation Guide 2015-1, Question 7.22.4; Implementation Guide 2017-2, Question 4.22; and Implementation Guide 2017-3, Question 4.20.

Recognition and Measurement

8. Liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used (paragraphs 9–20) and (b) leave that has been used but not yet paid or settled (paragraph 21). Those liabilities are not required to be aggregated for display in the basic financial statements. Applicable salary-related payments (paragraphs 22–26) should be included in the measurement of those liabilities.

Leave That Has Not Been Used

9. Except as discussed in paragraphs 13–15, a liability should be recognized for leave that has not been used if all of the following are true:

- a. The leave is attributable to services already rendered. (See paragraph 10.)
- b. The leave accumulates. (See paragraph 11.)
- c. The leave is *more likely than not*¹ to be used for time off or otherwise paid in cash or settled through noncash means.

10. Leave that is attributable to services already rendered is leave for which an employee has performed the services required to earn the leave.

11. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid in cash or settled through noncash means.

12. A government should evaluate whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors, including the following:

- a. The government's employment policies related to compensated absences
- b. Whether leave that has been earned is, or will become, eligible for use or payment in the future
- c. Historical information about the use, payment, or forfeiture of compensated absences
- d. Information known to the government that would indicate that historical information may not be representative of future trends or patterns.

¹The term *more likely than not* means a likelihood of more than 50 percent.

13. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be recognized as a liability for compensated absences.

14. For types of compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period, a government should not recognize a liability until the leave commences. For the purposes of this Statement, parental leave, military leave, and jury duty leave should not be recognized as liabilities until the leave commences. However, sick leave and unrestricted sabbatical leave should be recognized in accordance with the provisions in paragraph 9.

15. For the following types of compensated absences, a government should not recognize a liability until the leave is used:

- a. Leave that employees are able to take as needed without specific limits (sometimes referred to as *unlimited leave*)
- b. Holiday leave that is taken on a specific date not at the discretion of employees.

16. A liability for leave that is recognized in accordance with paragraph 9 or paragraph 14 should be measured using an employee's pay rate as of the date of the financial statements, unless one of the criteria in paragraphs 17–19 is met.

17. If some or all of the leave is more likely than not to be paid at a rate different from the employee's pay rate at the time the payment is made, a government should measure that portion of the liability using that different rate as of the date of the financial statements. For example, if leave is paid upon termination of employment at one-half of an employee's pay rate at the time of payment, the leave that is more likely than not to be paid upon termination of employment (instead of being used for time off) should be measured using one-half of the employee's pay rate as of the date of the financial statements.

18. If the leave is not attributable to a specific employee as of the date of the financial statements (for example, if leave has been donated to a shared employee leave pool), a government should measure the liability using an estimated pay rate that is representative of the eligible employee population.

19. If some or all of the leave is more likely than not to be settled through noncash means other than conversion to defined benefit postemployment benefits, a government should measure the liability based on the amount for which it is more likely than not to be settled.

20. Changes to the measurement of the liability in future periods due to a change in pay rate should be recognized in the period of the change.

Leave That Has Been Used

21. A liability should be reported when leave is used for time off but has not yet been paid in cash or settled through noncash means, including the types of leave discussed in paragraph 15. That liability, including any applicable salary-related payments, should be measured at the amount of the cash payment or noncash settlement to be made for the use of the leave.

Salary-Related Payments

22. Salary-related payments are obligations that a government incurs related to providing leave in exchange for services rendered. (The term *salary* in *salary-related payments* represents any pay provided to the employee, whether it is a fixed amount or an hourly wage.) Examples of salary-related payments include the employer share of Social Security and Medicare taxes.

23. A government should include in the measurement of its liabilities for compensated absences (for both leave that has been used and leave that has not been used) salary-related payments that are directly and incrementally associated with the leave, except as provided in paragraph 26. A payment is *directly associated* if the amount of the payment is a function of salary to be paid (that is, the amount of the payment depends on the amount of salary to be paid). A payment is *incrementally associated* if the government will make a payment in addition to the payment for the salary. The portion of the liability that is for salary-related payments should be measured using the rates in effect as of the date of the financial statements. Changes to the measurement of the portion of the liability that is for salary-related payments in future periods due to a change in rate should be recognized in the period of the change.

24. A salary-related payment may be incrementally associated only with a portion of the recognized leave. For example, a government that provides benefits through a defined contribution pension plan may be required to make

employer contributions related to leave used for time off but not for leave paid upon termination of employment. In that case, the only amount that is incrementally associated with the recognized leave is the amount of employer contributions related to the portion of the leave that is more likely than not to be used for time off.

25. For leave that has not been used, expense for salary-related payments related to defined contribution pensions or defined contribution OPEB should be recognized when the liability for that leave is recognized and should be reported as pension expense or OPEB expense, as applicable. Those amounts should not be reported as a pension liability or an OPEB liability. For leave that has been used, salary-related payments related to defined contribution pensions or defined contribution OPEB should be included in a pension liability or an OPEB liability in accordance with the requirements of Statements 68, 73, or 75, as amended.

26. Salary-related payments related to defined benefit pensions or defined benefit OPEB should not be included in the measurement of liabilities for compensated absences, even if they meet the criteria in paragraph 23.

Relationship to Postemployment Benefits

27. The projected effects on an employer's defined benefit postemployment benefits liability resulting from a payment for compensated absences should not be included in the liability for compensated absences. (Paragraphs 25 and 26 address salary-related payments related to defined contribution postemployment benefits and defined benefit postemployment benefits, respectively.)

28. Some governments allow or require compensated absences (often sick leave) to be paid to an employee upon termination of employment through a distribution to an individual account (instead of directly to the employee) to be used for specified purposes, such as payment of the employee's share of future healthcare premiums. Leave that (a) has not been used, (b) meets the recognition criteria in paragraph 9, and (c) is more likely than not to be paid in this manner should be included in a liability for compensated absences following the general measurement provisions in paragraphs 16 and 17.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

29. A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles. The amount of compensated absences recognized as expenditures in financial statements prepared using the current financial resources measurement focus should be the amount that normally would be liquidated with expendable available financial resources, as discussed in paragraph 14 of Interpretation 6, as amended.

Notes to Financial Statements

30. For the purpose of the long-term liabilities disclosure required by paragraph 119b of Statement 34, as amended, a government should present either (a) the separate increases and decreases or (b) a net increase or a net decrease in its liability for compensated absences included in that disclosure. A government that presents a net increase or a net decrease should indicate that it is a net amount.

31. The disclosure requirement in paragraph 119d of Statement 34, as amended, is not required to be applied to liabilities for compensated absences included in that disclosure.

EFFECTIVE DATE AND TRANSITION

32. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

33. Changes adopted at transition to conform to the provisions of this Statement should be reported as a change in accounting principle in accordance with

Statement No. 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

Joel Black, *Chair*
Jeffrey J. Previdi, *Vice Chair*
James E. Brown
Brian W. Caputo
Kristopher E. Knight
Dianne E. Ray
Carolyn Smith

Appendix A

BACKGROUND

A1. Governments often provide to their employees paid leave benefits, such as vacation leave and sick leave. Statement 16, issued in 1992, addressed accounting and financial reporting for those compensated absences. Consistent with the GASB's commitment to periodically reexamine its standards, in August 2018, the Board approved a pre-agenda research activity to gather information regarding the effectiveness of Statement 16 and to determine whether improvements were needed.

A2. Pre-agenda research conducted for compensated absences indicated several issues with the existing standards, including a lack of guidance for certain types of leave, inconsistent application of those standards, and potential inconsistencies with the conceptual framework that was developed after the issuance of Statement 16.

A3. During their annual discussion of technical plan priorities in March 2019, members of the Governmental Accounting Standards Advisory Council (GASAC) ranked compensated absences in the top third of all pre-agenda research activities and potential topics. In October 2019, GASAC members discussed issues related to compensated absences and identified issues that could be considered in a current technical agenda project.

A4. Based on the pre-agenda research findings and GASAC input, the Board added a project on compensated absences to its current technical agenda in December 2019. Deliberations began in February 2020. Additional outreach with financial statement users, including a survey and in-depth interviews, was conducted in order to inform the Board's deliberations regarding note disclosure requirements. Feedback received from GASAC members at their March, June, and October 2020 meetings also was considered during the Board's deliberations. When project issues are discussed with GASAC members, the GASAC does not take formal positions either in support of or in opposition to those issues.

A5. In February 2021, the Board issued an Exposure Draft, *Compensated Absences*. The Board received 33 written responses to the Exposure Draft from

organizations and individuals. As discussed throughout Appendix B, comments and suggestions from respondents to the Exposure Draft contributed to the Board's deliberations in developing the requirements of this Statement. Additional feedback was provided by GASAC members at their August and December 2021 meetings. The Board's consideration of the feedback from individual GASAC members during the development of this Statement is incorporated throughout Appendix B.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Scope and Applicability of This Statement

B2. This Statement defines a compensated absence as leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to postemployment benefits. The Board believes that *leave* generally is understood to encompass various circumstances in which an employee may be absent from work. The Board also believes that describing different possible methods of payment or settlement clarifies that the definition is not limited to a specific method of payment or settlement. Some respondents questioned the inclusion of certain examples of types of compensated absences that, in many cases, they believe should not be recognized as a liability. The Board intended that the definition of a compensated absence be broad; consequently, some types of leave that meet the definition of a compensated absence will not be recognized as a liability in accordance with the requirements of this Statement.

B3. This Statement provides that unrestricted sabbatical leave meets the definition of a compensated absence but other sabbatical leave does not. If an employee is required to perform duties of a different nature for the government during the sabbatical, the employee is not paid for leave but, rather, is paid for those duties performed during that period. Some stakeholders asked for more guidance on differentiating between unrestricted sabbatical leave and other sabbatical leave. The Board believes it is a matter of professional judgment to determine whether the duties required during a sabbatical are significant. Statement 16, as amended, stated that unrestricted sabbatical leave is recog-

nized during the period an employee earns the right to the leave if it is probable that the employer will compensate the employee for the benefit through paid leave or other means. That guidance is consistent with the similar conclusions reached in this Statement that the liability should represent the amounts more likely than not to be paid. As such, the Board decided that the liability for unrestricted sabbatical leave should be reported following the same guidance as for other types of leave.

B4. The phrase *termination of employment* is used frequently in this Statement. Because that phrase generally is used to describe an involuntary job loss, the Board decided to clarify that its use in this Statement refers to the end of an employee's active service for any reason.

B5. This Statement excludes termination benefits because, after considering the current accounting and financial reporting guidance, the Board concluded that termination benefits that also meet the definition of a compensated absence (for example, termination benefits that allow for the vesting of previously unvested sick leave) are sufficiently addressed in Statement 47, as amended.

Recognition and Measurement

B6. The Board believes that governments have obligations for both (a) leave that has not been used and (b) leave that has been used but not yet paid or settled. The liabilities that result from both obligations relate to compensated absences; however, this Statement does not require those liabilities to be aggregated for display in the basic financial statements. Aggregation would require some governments to remove amounts for leave that has been used but not yet paid or settled from one liability, such as for accrued payroll or related benefits, and instead include those amounts in another liability together with amounts attributable to leave that has not been used. The Board believes that the expected benefit of aggregating liabilities for leave that has not been used and leave that has been used but not yet paid or settled does not justify the perceived costs of aggregation. Therefore, this Statement allows governments to include their liability for leave that has been used but not yet paid or settled within a different liability, such as accrued payroll.

Leave That Has Not Been Used

B7. This Statement includes three criteria for recognition of a liability for leave that has not been used in financial statements prepared using the economic resources measurement focus: the leave is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Potential recognition criteria that were considered but rejected by the Board were (a) vesting and (b) the amount is reasonably estimable. The reasons the Board rejected those criteria are discussed later in this appendix.

Attributable to Services Rendered

B8. The recognition criterion that the leave should be attributable to services already rendered is based on the principle of the employer-employee exchange. Under that principle, employees perform services for the government and the government provides compensation, including benefits, in return. Some benefits are paid or settled while the employees are in active service and others are paid or settled after active employment has ended. The Board believes that if compensated absences are provided to employees in exchange for the employees' services, a criterion for recognition as a liability for leave that has not been used should be that the employee already has performed the services to which the compensated absence is attributable.

Accumulates

B9. The Board believes that only leave that accumulates should be recognized as a liability for leave that has not been used because if it does not accumulate, a government would not have an obligation for it at the date of the financial statements. For example, some governments have a "use-it-or-lose-it" policy by which any unused leave is forfeited at the end of the fiscal year. Those governments, therefore, do not have an obligation to provide time off or payment or settlement in a future period. Liabilities are defined in paragraph 17 of Concepts Statement No. 4, *Elements of Financial Statements*, as "present obligations to sacrifice resources that the government has little or no discretion to avoid." The Board concluded that leave that does not accumulate does not meet that definition because there is no present obligation. However, if employees are allowed to carry over unused leave into the next reporting period, a government would have an obligation to provide paid leave in a future period (or, in some cases, a cash payment or noncash settlement during employment

or upon termination of employment). When leave accumulates, governments sometimes maintain rolling balances so that employees know the cumulative amount of leave they have available to use.

B10. Some respondents to the Exposure Draft requested clarification regarding how certain types of leave accumulate. The Board believes that leave accumulates even if the pace of accumulation (such as a certain number of vacation hours earned per month employed) is not specified by the government. Because leave is part of the employee's compensation for services already rendered, the Board believes that, for the purposes of financial reporting, such leave should be viewed as being earned over the period of employee service, and it accumulates because it would be used or otherwise paid or settled in a future period. Based on that view, even though certain types of leave, like parental leave, could meet the recognition criteria, the Board believes that the expected benefits of recognizing those types of leave do not justify the perceived costs. Therefore, the Board decided to add exceptions to the recognition approach for certain types of leave. (See paragraph B27.)

More Likely Than Not to Be Used for Time Off or Paid or Settled

B11. Some leave may not be used for time off or otherwise paid in cash or settled through noncash means, depending on a government's employment policies. Therefore, the Board decided to incorporate a probability threshold into the recognition criteria that would need to be met to recognize a liability for leave that has not been used. Statement 16, as amended, required payment to be *probable* to be recognized. In addition to that threshold, the Board considered (a) *expected* to be used or otherwise paid or settled and (b) *more likely than not* to be used or otherwise paid or settled. The Board believes the application of *probable* in the context of compensated absences could be interpreted as a high threshold, which may result in an understatement of the liability for compensated absences. A specific definition could be provided to mitigate that concern; however, because *probable* has not been defined as a specific percentage in GASB guidance to date, establishing such a definition in this Statement may lead to inappropriate application of *probable* in other standards. The Board believes *expected* would represent more flexible, less prescriptive guidance for recognition. However, the Board determined that the threshold of being expected to be used or otherwise paid or settled would not sufficiently describe the level of certainty that a government should have regarding whether an absence should be included in the liability. The Board believes that

for compensated absences, *more likely than not* provides a clear minimum level of probability that enhances consistency and comparability. Based on those considerations, the Board concluded that the probability threshold should be that the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

B12. Some respondents to the Exposure Draft expressed concern about the subjectivity inherent in making a probability assessment and suggested not having a probability threshold at all. Although such an approach would reduce the need for estimation, the Board believes it would result in either overstatement of the liability or understatement of the liability. Other respondents preferred to retain the probable threshold because it already is used—and, they believe, understood—in recognizing a liability for compensated absences under Statement 16 and in other contexts. However, the Board believes that *more likely than not* reduces inconsistency in practice due to varying interpretations of probable. Although there will be subjectivity in estimating the likelihood of leave being used or otherwise paid or settled, the established definition of *more likely than not* (greater than 50 percent) eliminates the additional subjectivity of determining what degree of likelihood constitutes probable.

B13. The Board acknowledges that governments may have to exercise professional judgment in estimating amounts of leave that are more likely than not to be used or otherwise paid or settled. The Board considered adapting the termination payment method or vesting method for sick leave from Statement 16, as amended, to provide guidance for how preparers should estimate forfeitures of leave. Paragraph 32 in the Basis for Conclusions of Statement 16 noted that the inclusion of the vesting method was due to concern from stakeholders that the historical information required for the termination payment method might not be available to all governments. Based on stakeholder outreach, the Board believes that governments now generally have access to historical data that can facilitate such an estimate. However, the Board believes that requiring a specific method to determine the estimate may be overly prescriptive. Therefore, in order to provide flexibility to preparers in estimating potential forfeitures of leave, the Board decided to provide general guidance in the form of factors to consider in determining that estimate.

B14. Specifically, the Board believes that certain factors provide governments with a contextual basis to estimate whether leave is more likely than not to be used or otherwise paid or settled, including employment policies related to compensated absences; historical information about leave usage patterns, payments upon termination of employment, and forfeitures of leave; and infor-

mation about current and expected future eligibility. Those factors may need to be evaluated in combination with each other. The Board also determined that governments should consider factors that may indicate that historical information would not lead to a representative estimate of whether leave is more likely than not to be used or otherwise paid or settled. The Board believes that governments should exercise judgment in considering historical information because, in some instances, a government may be aware of information that contradicts historical trends of payment for leave usage, payment upon termination, and forfeiture.

B15. Some respondents to the Exposure Draft requested additional guidance regarding how to assess the factors in paragraph 12, such as how long a historical trend should be. The Board believes that establishing more specific requirements would limit governments' use of professional judgment as to what is appropriate in their particular circumstances. Therefore, detailed application requirements were not included in this Statement.

Vesting

B16. Leave for which an employee is entitled to payment (or settlement) for unused amounts upon termination of employment has been referred to as *vesting leave*. For example, sick leave vests if a government pays employees for unused sick leave upon termination of employment. Conversely, sick leave is *nonvesting* if a government does not pay employees for unused amounts upon termination of employment.

B17. The Board considered whether leave that accumulates for use in the future as paid leave but does not vest should be recognized as a liability if it is more likely than not that the benefit will be used. The Board understands that the future use of nonvesting leave might not result in an increase in the total amount paid to an employee over their period of service. For example, in the case of a salaried employee, the amount paid is the same regardless of actual hours worked or use of paid leave. However, the nonvesting leave that accumulates to another period for future use represents a present obligation of the government for a benefit for past service—paid leave in the future. Ultimately, the Board concluded that it is appropriate to recognize a liability and an expense for that benefit when the employee renders the service for which the benefit is exchanged and it is more likely than not that the benefit will be used or otherwise paid or settled.

B18. Some respondents to the Exposure Draft believe that vesting should be a separate criterion for recognition of a liability for compensated absences. Some of those respondents believe that nonvesting leave, particularly sick leave, does not meet the conceptual definition of a liability. Other respondents believe that the expected benefits of recognizing the nonvesting leave that is more likely than not to be used or otherwise paid or settled do not justify the perceived costs that would be incurred to measure the liability. The Board concluded that vesting should not be a criterion for recognition of a liability for compensated absences. A government still has an obligation for nonvesting leave that will be used as time off because it is a benefit earned by employees that has not yet been used as paid leave. However, the government is obligated only to the extent that employees will use the leave because unused nonvesting leave generally is forfeited upon termination of employment. Therefore, although not a separate criterion for recognition, vesting may be relevant in determining whether the absence is more likely than not to be used or otherwise paid or settled.

B19. Some respondents believe that nonvesting leave does not meet the definition of a liability in paragraph 17 of Concepts Statement 4 because such leave represents a commitment rather than an obligation. The Board agrees that there is no obligation for nonvesting leave that will be forfeited. However, the Board believes that nonvesting leave is earned as employees render services, and, therefore, governments have an obligation for the portion that will be used as paid leave. Promises to provide certain employee benefits, such as paid vacation and sick leave, are included as an example in paragraph 19 of Concepts Statement 4 of obligations that are created “because of a government’s actions or conduct.” Other respondents believe that nonvesting leave does not meet the definition of a liability because there is not a sacrifice of resources related to nonvesting leave that is used as paid leave if there is no change in employees’ pay for the period in which they use that leave. However, the Board believes that the sacrifice of resources occurs by virtue of the fact that the government provides that paid leave benefit; otherwise, it would not pay employees for the time not worked.

B20. The Board believes that the benefit of recognizing nonvesting leave is attributing the expense and liability to the period in which the leave is earned, consistent with the concept of interperiod equity. Although there will be costs associated with estimating the amount of nonvesting leave that is more likely than not to be used or otherwise paid or settled, the Board believes that governments will have the information available to determine the estimate. In

addition, the Board believes that the expected benefits justify the perceived costs of determining the estimate; many of the costs identified by respondents are not unique to nonvesting leave and, therefore, already would be incurred.

Amount Is Reasonably Estimable

B21. Being reasonably estimable is a criterion for recognition of some types of liabilities, such as those described in Statement No. 83, *Certain Asset Retirement Obligations*. However, the criterion tends to be applied if there is significant uncertainty and, in some cases, if the information normally is not available to determine a reliable estimated amount. The Board believes that those reasons do not apply to compensated absences. The information necessary to estimate the liability for compensated absences is expected to be available from human resources or payroll records. The Board concluded that governments would be able to reasonably estimate the liability for compensated absences and, therefore, rejected *reasonably estimable* as a potential criterion for recognition.

Sick Leave

B22. The Board considered whether sick leave and similar leave should have different recognition and measurement criteria, as in Statement 16. The use of sick leave is conditional on a required event, such as an employee becoming ill (or meeting some other requirement in order to use the leave); therefore, one could assert that a government does not become obligated to pay for such leave until the required event occurs. However, the Board believes that a government becomes obligated to pay an employee for sick leave when the employee earns the time off and the sick leave is made available to the employee, if it is more likely than not that the benefit will be used. Although the entire benefit might not be used if the employee does not become ill or otherwise meet the requirement for use (particularly if the leave is nonvesting), it is made available to the employee because of their past service. Another factor considered by the Board was the introduction of PTO as discussed in paragraph B23. After considering those factors, the Board concluded that sick leave should have the same recognition and measurement criteria as other types of leave.

Paid Time Off

B23. Statement 16 did not address PTO, which employees can use for any reason, including vacation or illness. Many governments that offer PTO accounted for it under the vacation leave provisions of Statement 16. However, that practice meant that any PTO that ultimately was used for illness was included in the liability for compensated absences. In contrast, a government that offered separate vacation and sick leave would not include sick leave that ultimately was used for illness in the liability for compensated absences under Statement 16. During the Board's deliberations, that difference was highlighted as a significant inconsistency in practice that needed to be addressed. The Board believes that by adopting the unified recognition model in this Statement, comparability among governments will be enhanced.

Exceptions to the General Recognition and Measurement Approach

More likely than not to be converted to defined benefit postemployment benefits

B24. This Statement requires that leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits be excluded from the liability for compensated absences because such leave already is taken into account in a pension liability or an OPEB liability. The Board believes that such treatment allows the liability for compensated absences to more appropriately reflect the obligation of the government. That is, the amount that would result from the general measurement approach of using an employee's pay rate often is not representative of the amount of benefits that employee will receive if that leave is included in the defined benefit pension or defined benefit OPEB calculation.

B25. Including the effect of unused leave in both the liability for compensated absences and the liability for defined benefit pensions or defined benefit OPEB would result in double-counting that leave and, therefore, overstating governments' liabilities. However, the Board recognizes that there could be some overlap, which is expected to be insignificant, because of the actuarial methodology applied to certain postemployment benefits and the more-likely-than-not provision employed in this Statement. Excluding leave that is more likely than not to be converted to defined benefit pensions or defined benefit OPEB from the liability for compensated absences requires governments to make

certain assumptions about employees—such as how many will stay employed until retirement and how much unused leave will be converted at that time. As discovered during the pre-agenda research described in Appendix A, many governments made such assumptions under the provisions of Statement 16 without much difficulty. Therefore, the Board decided that leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should continue to be excluded from the liability for compensated absences.

B26. Some respondents to the Exposure Draft asked that the Statement address leave for which employees have an *option* to convert to postemployment benefits. The Board believes that the extent to which employees will choose to convert their leave to postemployment benefits is part of the more-likely-than-not estimate, and no additional guidance specific to the topic is necessary.

Other types of leave

B27. As discussed in paragraph B10, the Board decided to add an exception to the general recognition approach for certain types of leave that can be difficult to quantify or attribute to a specific service period because of the often unpredictable nature of the events that allow employees to use the leave and the relatively small proportion of employees affected in a reporting period. The Board believes that the expected benefits of recognizing a liability for those types of leave when they are earned do not justify the perceived costs of estimating how much has been earned and how much is more likely than not to be used or otherwise paid or settled. Although other types of leave could meet that exception based on the facts and circumstances, there are three types of leave (parental leave, military leave, and jury duty leave) that the Board concluded should meet the exception. Even though there may be circumstances in which those types of leave are not sporadic or affect more than a relatively small proportion of employees, the Board believes that the expected benefits of recognizing a liability before the leave commences for those types of leave do not justify the perceived costs of doing so because the characteristics of those three types of leave make them difficult to quantify. However, the Board believes that the benefit of recognizing a liability for sick leave (which some may consider sporadic and affecting a relatively small proportion of employees) is justified because it is less costly (compared to the three types of leave that meet the exception) to estimate how much has been earned and how much is more likely than not to be used or otherwise paid or settled. Additionally, for some

governments, sabbatical leave is sporadic and affects a relatively small proportion of employees. However, the Board believes that sabbatical leave has not presented a problem for governments to recognize over the period earned and, therefore, does not need to be excluded from the general recognition criteria. Therefore, the Board clarified that the exception should not be applied to sick leave or sabbatical leave. For the types of leave covered by the exception, the Board believes that recognizing a liability when the leave commences is appropriate because those types of leave often last for more than one day.

B28. The Board also decided to add an exception to the general recognition approach for leave without specific limits (sometimes referred to as unlimited leave). Although the Board believes that such leave is earned as employees provide services, it is difficult to quantify or attribute to a specific service period. Because such leave often does not meet the description of a sporadic event affecting a relatively small proportion of employees, an additional exception is needed. The Board believes that because leave without specific limits could have varying durations, it would be difficult to measure a liability when the leave commences, which is the recognition point for certain other types of leave. Therefore, the Board decided not to require recognition of a liability until the leave is used.

B29. This Statement also includes an exception to the general recognition approach for holidays that are taken on a specific date (as opposed to floating holidays that employees use at their discretion). The Board believes that quantifying the amount of holiday leave earned would be more straightforward than quantifying the amount of unlimited leave. However, because the Board believes that holidays typically are one day of leave at a time, the benefit of recognizing them before they are used would be minimal. Therefore, the Board concluded that type of holiday leave should not be recognized as a liability until it is used.

Pay Rate That Should Be Used for Measurement

B30. The Board deliberated whether the pay rate used to measure the liability should be addressed. Considering that paragraph 10 of Statement 16 provided for using the current pay rate as of the date of the financial statements, the Board believes that not providing any guidance would cause inconsistency in practice, which could reduce comparability.

B31. The Board considered four possible alternatives for the pay rate for leave that has not been used: (a) the pay rate in effect when leave is earned, (b) a projected future pay rate, (c) the next year's pay rate (if known), and (d) the employee's pay rate as of the date of the financial statements.

B32. The Board noted that using the pay rate in effect when leave is earned would not appropriately reflect the present obligation of the government at the date of the financial statements. Additionally, that alternative would have required governments to track the leave earned at each specific pay rate, which could have resulted in a significant administrative burden for preparers. Accordingly, the Board decided not to pursue that alternative.

B33. Given that many employees' pay rates change over their career because of cost-of-living adjustments, merit raises, and promotions, using a projected future pay rate (and discounting to present value) may provide a more accurate measurement of the present obligation at the date of the financial statements. However, the Board believes that alternative would require preparers to make complex estimates associated with future events and may require the use of an actuary. After considering the perceived increase in costs associated with that alternative compared with the additional precision in the calculation of the liability that would result, the Board determined that governments should not be required to project employees' pay rates in the measurement of the liability for compensated absences. (See paragraph B37 for consideration of present value.)

B34. The next year's pay rate (if known by the government) was suggested during outreach with preparers during pre-agenda research. Some governments may know at year-end the pay rates that will be in effect as of the first day of the next fiscal year. Therefore, when calculating the liability for compensated absences at the date of the financial statements, the government could use the employee's pay rate for the next fiscal year but would not have to project pay rates beyond that point. The Board noted that some governments may change pay rates at times other than fiscal year-end and may not know employees' pay rates that will be in effect during the next fiscal year. However, because next year's rate does not reflect the present obligation of the government as of the date of the financial statements, the Board decided not to incorporate the next year's pay rate into the measurement of the liability for compensated absences.

B35. In considering the employee's pay rate as of the date of the financial statements, the Board noted that it already was required by Statement 16. Paragraph 46 in the Basis for Conclusions of Statement 16 explained that the

Board chose that alternative because the rate is “objective, easily measurable, and not affected by the timing of pay increases.” The Board also noted in the development of this Statement that a current value measurement is required elsewhere in the GASB literature, such as in Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, as amended; Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; and Statement 83. Therefore, the Board decided that the employee’s pay rate as of the date of the financial statements should continue to be used to calculate the liability for compensated absences.

B36. As discussed in paragraph B14, the Board believes that governments should consider certain factors, such as employment policies related to compensated absences, in estimating the liability for compensated absences. Compensated absences sometimes are affected by an employment policy or law that requires paying employees at a rate other than their pay rate at the time of payment. For example, payments upon termination of employment might be limited to a reduced pay rate, or some leave might be required to be paid at one-and-a-half times the employee’s pay rate. The Board believes that including leave that is subject to such employment policies or laws in the liability for compensated absences at the employee’s pay rate as of the date of the financial statements could result in an overstatement or understatement of the liability. To address the accounting for compensated absences that are subject to such employment policies or laws, the Board decided that governments should estimate the amount of leave that is more likely than not to be paid at a rate different from the employee’s pay rate and should apply the different rate to that leave. As a result, the Board believes that the measurement of the liability for compensated absences will incorporate such employment policies and laws and will better reflect governments’ obligations for compensated absences.

Present Value

B37. An approach considered by the Board was to measure the liability for compensated absences at present value. Certain GASB standards employ present value in the measurement of long-term liabilities, although typically only when there are scheduled payments due to be made over time (thus, it is known when those future cash flows will take place). Compensated absences generally do not have a set payment schedule, and governments would be required to estimate amounts and timing for future years. The Board concluded that the liability for compensated absences should not be measured at present value

because the uncertainties related to the timing and eventual amount of the portion of the liability for compensated absences that will be paid make it difficult for governments to project future cash flows and, as noted in paragraph B33, likely would require the use of an actuary. Moreover, the Board believes that the measurement of liabilities for compensated absences at current value is comparable to discounting expected future cash flows at the inflation rate, therefore achieving much of what present value intends to achieve.

Leave Not Attributable to a Specific Employee

B38. Some respondents to the Exposure Draft requested guidance on measurement of a liability for compensated absences when leave is collected in a leave pool. Leave that has been donated to a pool may not be attributable to a certain employee, and, therefore, the general measurement approach would be difficult to apply. Consequently, the Board decided to provide guidance if leave is not attributable to a specific employee, such as in certain leave pools. That guidance does not require that the leave be attributed to individual employees, and it is general enough to allow for professional judgment in determining the estimate.

Insurance

B39. The Board considered providing guidance for instances in which a government obtains insurance for certain compensated absences, such as short-term disability leave. However, the Board believes it would be more appropriate to consider that topic in the broader context of accounting for insurance in general. Therefore, the Board decided not to include specific guidance in this Statement.

Resources Set Aside for Liabilities for Compensated Absences

B40. Some governments set aside cash or other assets for their liabilities for compensated absences in a separate account. The Board considered providing guidance on certain topics related to those activities: the applicability of fiduciary activity guidance, right of offset, and recognizing the liability for compensated absences in an internal service fund. However, the Board believes that the guidance in Statement No. 84, *Fiduciary Activities*, as amended, is sufficient

for governments to determine whether their activities related to compensated absences qualify for reporting as fiduciary activities. Statement 84 is intended to apply to all types of fiduciary activities, including any related to compensated absences. Similarly, the Board believes that the general guidance found in paragraph 501 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which prohibits offsetting assets and liabilities unless a right of offset exists, is sufficient to address questions related to offsetting prefunded assets and liabilities for compensated absences, as well as reducing the liability for compensated absences for receivables from employees who have negative leave balances. Likewise, the Board believes that the general guidance in NCGA Statement 1, as amended, related to recognizing liabilities in proprietary funds is sufficient to determine whether a liability for compensated absences should be recognized in an internal service fund.

Amount Due within One Year

B41. Statement 34, as amended, requires governments to report the amount of long-term liabilities that is due within one year. As previously noted, compensated absences are different from certain other long-term liabilities because compensated absences generally do not have a set payment schedule, thereby making the amount due within one year an estimate. Some preparers surveyed in the pre-agenda research indicated difficulties in determining that estimate, and some users interviewed expressed concerns about the reliability of the resulting estimate. For those reasons, the Board considered an exception to the Statement 34 requirements. However, there is evidence that financial statement users consider that amount in assessing short-term liquidity and management of the workforce. Weighing the benefits provided to users against the difficulties faced by some preparers, the Board concluded that the liability for compensated absences should continue to be reported in two components: the amount estimated to be due within one year and the amount estimated to be due in more than one year (although those amounts may be combined with other long-term liabilities on the face of the financial statements). The Board believes that estimating the amount due within one year is not more burdensome to preparers than determining other required estimates. The Board also believes that the expected benefits to financial statement users of having that information justify the perceived costs to preparers.

B42. Implementation Guide 2015-1 provided guidance in Question 7.22.4 on how governments could estimate the amount due within one year. The Board considered whether to provide additional guidance in this Statement or specify a certain method of determining the estimate (beyond the flows assumption discussed in paragraphs B43–B45). The Board concluded that Question 7.22.4, as amended by this Statement, is the appropriate method of providing guidance on how to determine the estimate because it elaborates on the application of Statement 34, as amended, to this specific type of liability. The Board also decided not to require a specific method of determining the estimate because doing so could limit the flexibility of governments to make appropriate professional judgments based on their circumstances.

Flows Assumption

B43. A key component in determining the estimate of the amount due within one year is the flows assumption for the pattern of usage of compensated absences. The flows assumption, whether implicit or explicit, is used in determining whether the amount the government expects to pay in the next reporting period will be attributed first to (a) the recognized liability at the date of the financial statements (a first-in, first-out [FIFO] flows assumption) or (b) the leave earned in the next reporting period (a last-in, first-out [LIFO] flows assumption).

B44. The Board considered specifying that the flows assumption should be determined based on a government's employment policies and requiring the use of the FIFO flows assumption in the absence of a relevant employment policy. Whereas some governments have an employment policy that specifies a FIFO use of leave, the Board was unaware when developing the Exposure Draft of any governments that have a LIFO employment policy. Therefore, the Board concluded that the effect of an alternative based on employment policies would have the same practical effect as prescribing the use of FIFO for all governments. The Exposure Draft proposed that all governments use a FIFO flows assumption, with the idea that the use of a single flows assumption would enhance comparability.

B45. Feedback received on the Exposure Draft indicated confusion about using FIFO terminology, which typically is associated with inventory. Some respondents to the Exposure Draft also indicated that they are aware of governments with a LIFO employment policy and they believe that requiring

those governments to use a FIFO accounting policy would not be representationally faithful. After considering that feedback, the Board decided not to provide guidance on the flows assumption in the final Statement.

Leave That Has Been Used

B46. When leave meeting the definition of a compensated absence is used for time off, the Board believes that a government's obligation to allow employees to take time off has been satisfied. However, the Board believes the obligation to allow for time off gives rise to another obligation, which is to pay the employees for that time. The Board believes that second obligation meets the definition of a liability because it requires a payment (a sacrifice of resources) that the employee has earned; therefore, the government has little or no discretion to avoid paying it. Because the payment or settlement generally occurs soon after the leave is used, the Board believes that governments should know the amount of the payment or settlement to be made. Therefore, the Board believes that further guidance regarding measurement of that liability is not necessary.

Salary-Related Payments

B47. After considering the guidance on salary-related payments in Statement 16, as amended, the Board concluded that guidance should continue to be provided. Absent specific guidance, the Board believes that some governments might not include those items in their liabilities for compensated absences, which would hinder comparability.

B48. In addition to salary, governments also provide benefits to employees when the employees use paid leave. The Board believes that, conceptually, a portion of employee benefits is earned along with the leave itself as employees provide services. For example, the cost of health insurance coverage provided on a day that an employee uses sick leave is considered earned at the time the employee earned the sick leave. However, there are practical challenges to attributing a portion of all employee benefits to that leave. For example, some benefits have different tiers with different employer costs and would require identifying which employees have elected which tier of benefits. Therefore, the Board decided on a pragmatic approach such that a liability for compensated absences includes only certain benefits.

B49. The Board considered whether salary-related payments should be included in the measurement of a liability for compensated absences for (a) all leave that has not been used or (b) only that leave that would be paid upon termination of employment, which was the approach taken in Statement 16, as amended. Although salary-related payments are not paid directly to the employee, the Board believes salary-related payments are associated with the employer-employee exchange. Consistent with the discussion in paragraph B8, the Board believes salary-related payments are earned when the employee provides the service that results in a benefit, even if that benefit reflects only an employee's right to paid leave in the future. The Board noted that this conclusion is consistent with the discussion in paragraph B17.

B50. In determining which salary-related payments should be included in a liability for compensated absences, the Board decided to include those payments that are directly and incrementally associated with the compensated absence. The Board believes guidance on salary-related payments should be broad enough to encompass many types of benefits and, therefore, elected not to provide a specific list of which salary-related payments to include. Instead, the guidance on includable salary-related payments requires recognition of those items for which an employer is obligated to make an additional payment as a result of compensated absences, if that additional payment is a function of the salary to be paid to the employee. The Board considered broadening the requirement from being a *function of salary* to having a *relationship with salary*. However, the Board believes that a *function of salary* strikes an appropriate balance between acknowledging that employee benefits are part of the employer-employee exchange and providing a way that it can be operationalized.

B51. Some salary-related payments are incrementally associated with only part of the amount for the leave that meets the recognition criteria. The Board considered whether to provide an exception such that governments would not need to estimate the portion of the salary-related payments that is incrementally associated. However, the Board believes the expected benefits of having a liability that better reflects future payments justify the perceived incremental costs of estimating salary-related payments and, therefore, decided not to provide an exception.

B52. The Board believes that employer payments or credits to a defined contribution pension plan or defined contribution OPEB plan should be considered salary-related payments and recognized as a liability at the time the employee provides services. The Exposure Draft proposed that those amounts

be recognized as pension or OPEB expense and a pension liability or an OPEB liability, instead of being included in the measurement of the liability for compensated absences for leave that has not been used, because of the nature of those types of payments. That proposal would have represented a substantial change from how liabilities for defined contribution pensions or OPEB have been recognized. Some respondents to the Exposure Draft said it could be confusing to report a defined contribution pension or OPEB liability for amounts not yet due in accordance with the plan terms. The Board agreed and decided that those amounts should be reported as pension or OPEB *expense*, but they should be reported as part of the liability for compensated absences for leave that has not been used. However, because defined contribution pension or OPEB salary-related payments generally become due to the plan when the leave is used, the Board decided to specify that those amounts should be reported as a pension liability or an OPEB liability at that time.

B53. Consistent with Statement 16, as amended, the Board concluded that salary-related payments related to defined benefit pensions or defined benefit OPEB should not be included in the measurement of the liability for compensated absences. For purposes of measuring the liability to employees for those defined benefits, the actuarial calculations required for financial reporting first project benefit payments, including the effects on those benefit payments that are expected to result from the payment of compensated absences, and then attribute a discounted present value of those payments to expected employee service periods. Therefore, as noted in paragraphs B24 and B55, the Board concluded that it is appropriate to continue to exclude expected contributions for defined benefit pensions or OPEB from the liability for compensated absences.

B54. The Board also considered the rate that should be used for salary-related payments in the measurement of a liability for compensated absences for leave that has not been used, similar to the provisions in paragraphs B30 and B31 regarding the pay rate. The Board considered whether it was necessary to provide specific guidance on this topic and, if so, which rate should be used. Alternatives considered were (a) the rate in effect when leave is earned, (b) the rate as of the date of the financial statements, (c) a projected future rate, and (d) the next year's rate (if known). Consistent with the Board's conclusion for the pay rate, the Board decided to provide specific guidance and to require the rate as of the date of the financial statements. Many of the Board's considerations in reaching that conclusion were consistent with those discussed in

paragraphs B32–B35. An additional difficulty that the Board noted with respect to a projected future rate is that rates for salary-related payments often are set by outside parties, such as the federal government (in the case of Social Security and Medicare taxes).

Relationship with Postemployment Benefits

B55. Payment of compensated absences could impact defined benefit postemployment benefits if amounts paid affect the employee's compensation on which those postemployment benefits are based. This Statement requires that projected effects on defined benefit postemployment benefits be excluded from the liability for compensated absences because they already are considered in the projected benefits of the applicable postemployment benefit liability.

B56. Under Statement 16, as amended, leave that was transferred to an individual account for the payment of healthcare premiums was included in the liability for compensated absences. According to footnote 6 of Statement 16, as amended, payment of leave through a healthcare account is one example of a payment upon termination of employment. The Board does not observe a meaningful difference in the recognition, measurement, and presentation of a direct payment to an employee of unused leave or the payment of unused leave into an individual account. Accordingly, the Board decided that leave paid into an individual account should continue to be included in the liability for compensated absences and should be accounted for in the same manner as leave that will be paid directly to an employee.

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

B57. The Board considered whether guidance should be developed or amended for the recognition and measurement of compensated absences in governmental funds. Previous guidance for recognition of compensated absences under the current financial resources measurement focus was provided in paragraph 13 of Statement 16, as amended. That guidance was expanded upon by Interpretation 6, as amended. The Board considered whether the existing guidance should be evaluated in light of separate deliberations on improvements to the financial reporting model. Given the timing of this Statement, the Board determined that the proposals in the reexamination project for the financial reporting model should not be considered for application to compensated absences in this Statement. Furthermore, the Board determined that

it would be inappropriate to develop new guidance specifically for the recognition of compensated absences in the governmental funds, given that such guidance could be amended or superseded by new financial reporting model guidance. Therefore, the Board decided to carry over the guidance previously contained in Statement 16, as amended, and not to amend the guidance in Interpretation 6, as amended, regarding the recognition and measurement of compensated absences in governmental funds using the current financial resources measurement focus.

Notes to Financial Statements

B58. In evaluating disclosures about liabilities for compensated absences, the Board considered the disclosure requirements for long-term liabilities in Statement 34, as amended, which include compensated absences, as well as other potential disclosures identified during the pre-agenda research. The Board considered information gathered in user surveys and interviews, in addition to information provided by preparer and auditor surveys, when deliberating which disclosures should be required for compensated absences. Note disclosure considerations focused on liabilities for leave that has not been used because of the short-term nature of liabilities for leave that has been used but not yet paid or settled.

Amendments to Existing Disclosure Requirements

B59. The Board concluded that an amendment to paragraph 119b of Statement 34 was appropriate for compensated absences. Prior to that amendment, a government was required to separately disclose increases and decreases in a long-term liability for compensated absences. Based on user outreach, the Board believes that user interest in gross additions and reductions is limited and that the disclosure of that information may be less meaningful for compensated absences than for other long-term liabilities because the liability for compensated absences increases and decreases in less structured ways and generally does not have a set payment schedule. Users primarily expressed interest in overall trends of the liability for compensated absences, which can be inferred from the net change. Additionally, surveys of preparers and auditors conducted during pre-agenda research indicated that the separate disclosure of increases and decreases can be challenging for some governments due to system limitations. The Board believes that providing an option to disclose a net increase or a net decrease will lead to the loss of only information that is considered by users to be of limited value while reducing preparation costs for

this information. Because the disclosure of separate increases and decreases still is required for other long-term liabilities, the Board concluded that a government that chooses to disclose an overall increase or decrease should indicate that the amount presented for compensated absences is a net amount in order to further clarify the disclosure.

B60. The Board also concluded that an amendment to paragraph 119d of Statement 34 was appropriate for compensated absences. Prior to that amendment, a government was required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. Based on user feedback received in the development of this Statement, the Board believes the use of that specific disclosure with respect to compensated absences is limited. User feedback generally indicated that interest in compensated absences as a whole was greater if a government is distressed. However, in those situations, the fund typically used for liquidation is less relevant because distressed governments often attempt to liquidate liabilities using any available resources. Accordingly, the Board determined that information is not essential to making decisions or assessing accountability and, therefore, eliminated that disclosure requirement for compensated absences.

Other Disclosure Considerations

Amendments to Other Existing Disclosure Requirements

B61. Statement 34, as amended, also requires the disclosure of the beginning and ending balances of a long-term liability for compensated absences and the portion of that liability that is due within one year. The Board considered whether those existing disclosure requirements provide information that is essential to users. Governments are not required to separately report compensated absences on the face of the financial statements, and, therefore, discrete information about the liability for leave that has not been used is required only as a result of the long-term liability disclosure requirements.

B62. User outreach indicated that the beginning and ending balances of the liability for leave that has not been used are used to examine the financial health of a government and analyze a government's liabilities. In some cases, a user can assess the relative significance of a liability for compensated absences only if the amount is separately disclosed. Users noted that their analysis of compensated absences generally begins by examining the balances to determine whether further attention is warranted. For those reasons, the Board believes

that disclosure of the beginning and ending balances of the liability for compensated absences provides essential information. Additionally, because a government needs to calculate those balances to prepare financial statements, the Board believes that the requirement to disclose the balances is not overly burdensome, and, therefore, the expected benefits justify the perceived costs.

B63. The Board also believes that the disclosure of the portion of the liability due within one year is essential to users. Financial statement users stated in interviews and survey responses that the disclosure assists in their assessment of short-term liquidity. As noted in paragraph B41, the Board decided to retain the requirement to report the liability for compensated absences in two components: the amount estimated to be due within one year and the amount estimated to be due in more than one year. As such, governments already are required to estimate the amount but are not required to present it separately from other long-term liabilities on the face of the financial statements, so the disclosure likely is the only place for users to find the disaggregated amount.

Potential New Disclosures

B64. The Board considered, but did not require, several other potential disclosures about compensated absences, including pertinent employment policies and the expected timing of retirement of a government's workforce. Pre-agenda research found that some governments voluntarily disclose information about employment policies related to compensated absences. User outreach indicated that those disclosures, when provided, rarely were used. The costs of requiring those disclosures may be somewhat decreased because some governments already provide the information voluntarily, and the cost of providing the information may be insignificant to others; nevertheless, the Board determined that the expected benefits of requiring the disclosures would not justify the perceived costs.

B65. Regarding the potential disclosure of the expected timing of retirement of a government's workforce, a large number of retirements within a short time-frame could lead to significant cash outflows or budgetary concerns for some governments. A disclosure such as the average age of the workforce may provide insight into the likelihood of upcoming retirements. Users who participated in the pre-agenda research indicated some interest in that information, but some of those users noted that type of measure would ignore potential terminations of employment for other reasons (such as voluntary resignations) and may require disaggregation by employee class or salary level to be

meaningful. Ultimately, the Board did not identify a disclosure of that type for which the expected benefits justified the perceived costs and, therefore, decided not to require such a disclosure. Some users noted that a number of unanticipated retirements may be a greater issue of concern for smaller governments, but the Board concluded that cost-benefit concerns may be an even greater factor for smaller governments and, therefore, also did not adopt this disclosure requirement for a subset of governments.

B66. The Board considered several other potential disclosures related to compensated absences, including leave utilization rates, the further disaggregation of the liability by type of leave or salary level, and estimated future payments for compensated absences. For all potential disclosures that were considered but not required, the Board compared the perceived costs of preparing the information with its expected limited use and determined that the expected benefits of those additional disclosures would not justify the perceived costs. The Board also noted that the additional information about the liability for compensated absences would result in a greater level of disclosure for compensated absences than is required for other long-term liabilities. Finally, some users who participated in the pre-agenda research expressed interest in disclosures related to collective bargaining agreements, but the Board believes compensated absences often are one of many provisions in collective bargaining agreements and are, perhaps, less important than other provisions. Therefore, the Board does not believe that type of disclosure requirement is appropriate in this Statement. In response to feedback received on the Exposure Draft, the Board considered disclosure requirements related to certain methods and assumptions used in determining the estimates required by this Statement but concluded that there would be limited benefit to users and, therefore, decided not to add any disclosure requirements.

Considerations Related to Benefits and Costs

B67. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to

determine that its standards (including disclosure requirements) address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B68. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B69. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes the assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B70. The Board concluded that the reporting requirements of this Statement will benefit users because they will (a) receive more robust estimates of liabilities for compensated absences and (b) be given information that is more consistently reported and more comparable across governments. That guidance will benefit preparers and auditors as well by providing them with a unified model for recognition and measurement of the liability for compensated absences that can be applied to any type of leave, which addresses the issue identified in pre-agenda research and described in Appendix A about a lack of guidance for certain types of leave. A unified model also eliminates the potential comparability issues between governments that offer PTO and governments that offer separate vacation and sick leave. The Board believes this Statement also provides clearer guidance, which may help governments apply the standards more consistently. The general recognition and measurement model does not require complex calculations that may necessitate the use of an actuary because the Board believes the incremental precision in the liability does not justify the costs of obtaining such a calculation.

B71. In response to stakeholder comments on the Exposure Draft, the Board provided exceptions to the general recognition approach for certain types of leave because the Board believes the expected benefits do not justify the perceived costs of applying the general recognition approach to those types of leave. The Board also chose not to prescribe a flows assumption, as described in paragraph B45, after considering feedback related to the expected benefits and perceived costs of doing so.

B72. Two amendments to existing note disclosure requirements also are offered by this new guidance, creating additional cost relief for both preparers and auditors while resulting in only a minor loss of information for users. The disclosure of employment policies related to compensated absences and the expected timing of retirement of the workforce, as well as other potential disclosures suggested in user interviews, ultimately were not required as the costs to preparers and auditors were not justified by the potential benefits to users.

Effective Date and Transition

B73. The provisions of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. In considering the changes introduced in this Statement, the Board concluded that adding a year to the proposed effective date allows adequate time for financial statement preparers to plan for the transition and implementation of this Statement. Some governments may wish to implement the guidance earlier than the effective date, which this Statement encourages.

B74. During redeliberations, the Board broadly reconsidered whether GASB pronouncements generally should be *first* effective for reporting periods or fiscal years. The Board concluded that the effective dates of new pronouncements generally should be stated in terms of *fiscal years and all reporting periods thereafter*, unless circumstances related to the specific requirements of a pronouncement warrant otherwise. Such an approach allows more time for a government to apply new pronouncements to interim financial statements.

B75. With respect to transition, the implementation of a new authoritative pronouncement is considered a change in accounting principle in accordance with the provisions of Statement 100. The Board believes that the accounting

and financial reporting requirements for a change in accounting principle in Statement 100 are appropriate and sufficient for this Statement. Therefore, the transition provisions of this Statement reference Statement 100 and do not specify additional requirements.

Appendix C

ILLUSTRATIONS

C1. This appendix illustrates certain requirements of this Statement. The facts assumed are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. Application of the provisions of this Statement may require assessment of facts and circumstances other than those illustrated here. No inferences about determining materiality should be drawn from these illustrations.

Illustration 1—Application of the Recognition Criteria for Leave That Has Not Been Used

Leave that has not been used is recognized as a liability if it (a) is attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. (See paragraph 9.) The following are examples of certain types of leave that a government may offer to its employees, evaluated according to the recognition criteria; they are not exhaustive of all types of leave that may be offered. The examples are presented as illustrations to demonstrate the application of the recognition criteria and assume the reporting period is a fiscal year. Ultimately, a government's consideration of those recognition criteria determines whether leave that has not been used should be recognized as a liability.

- a. *Paid time off (PTO) that is earned each month, carries over without limits at the end of the fiscal year, and for which any unused leave is paid upon termination of employment.* Some governments offer their employees general PTO that can be used for vacation time, sick time, or other time off, at the discretion of the employee. The leave is attributable to services already rendered because employees earn a certain number of hours or days for each month that they are employed. The leave accumulates because it carries over at the end of the fiscal year. Because there are no limits on carrying over unused leave and any unused leave is paid upon termination of employment, all PTO is more likely than not to be used or paid. Accordingly, all PTO is recognized as a liability for compensated absences.

- b. *Sick leave that is earned each month and carries over without limits at the end of the fiscal year, but any unused leave is not paid upon termination of employment.* Governments often offer leave to employees that can be used only when an employee is sick. Some governments allow employees to accumulate sick leave during their employment, but any unused amounts are forfeited upon termination of employment. Such leave is attributable to services already rendered because employees earn a certain number of hours or days for each month that they are employed. The leave accumulates because it carries over at the end of the fiscal year. The government estimates how much of the leave is more likely than not to be used as paid leave and recognizes that portion as a liability for compensated absences.
- c. *Sick leave that is earned each month, does not carry over at the end of the fiscal year, and is not paid upon termination of employment.* Unlike Example (b), this sick leave does not accumulate because it does not carry over at the end of the fiscal year (in other words, the unused leave is forfeited at that time). Accordingly, such leave is not recognized as a liability for compensated absences in annual financial statements.
- d. *Sick leave that is earned each month, does not carry over at the end of each calendar year, and is not paid upon termination of employment.* Such leave is attributable to services already rendered because employees earn a certain number of hours or days for each month that they are employed. If the government's fiscal year does not coincide with the calendar year, sick leave accumulates because it does carry over at the end of the fiscal year, even though employees may only have until the end of the calendar year to use it. The government estimates how much of the leave is more likely than not to be used as paid leave before the leave is forfeited at the end of the calendar year and recognizes that portion as a liability for compensated absences.
- e. *Vacation leave that is made available on the first day of the fiscal year (or at inception of employment) and added to the employee's time bank, but is earned throughout the fiscal year and the balance is reconciled if an employee terminates during the year, carries over at the end of the fiscal year without limits, and is paid upon termination of employment.* Some governments add leave for the entire year into employees' time banks on the first day of the fiscal year (or, for new hires, on their first day of employment) as an *advance* for the year to provide flexibility with regard to when employees may use their paid leave. If an employee terminates during the year, the government reconciles the amount of leave that has been used by the terminating employee against the amount of leave that has been earned by that employee. Therefore, such leave is considered to be attributable to

services already rendered only as it is earned by an employee throughout the year. At the beginning of the fiscal year, even though leave has been added to employees' time banks, the leave is not yet attributable to services rendered and, therefore, is not recognized as a liability for compensated absences. By the end of the fiscal year, the unused portion of leave is fully attributable to services rendered because it has been earned by employees throughout the year. Because that leave carries over at the end of the fiscal year, it accumulates. Because there are no limits on carrying over unused leave and any unused leave is paid upon termination of employment, all of the vacation leave is more likely than not to be used or paid. The vacation leave at the end of the year is recognized as a liability for compensated absences.

- f. *Compensatory time that is earned as employees work overtime and carries over at the end of the fiscal year. Per state statute, unused compensatory time is not forfeited and is required to be paid upon termination of employment.* Some governments offer employees compensatory time (often referred to as "comp time") if they work overtime or on holidays or weekends. Such leave is attributable to services already rendered because it is earned as the employees work overtime or on holidays or weekends. The leave accumulates because it carries over at the end of the fiscal year. Because there are no limits on carrying over unused compensatory time and any unused compensatory time is paid upon termination of employment, all of the compensatory time is more likely than not to be paid. Thus, all compensatory time is recognized as a liability for compensated absences.
- g. *Parental leave.* Many governments allow employees to take extended periods of paid leave due to the birth or adoption of a child. Parental leave is not subject to the recognition criteria. Instead, paragraph 14 states that parental leave is recognized when the leave commences. A liability for the entire leave is recognized at the time an employee goes on leave.

Illustration 2—Application of Salary-Related Payments

Paragraph 23 of this Statement requires that a government include in a liability for compensated absences certain salary-related payments that are directly and incrementally associated with payments to be made for compensated absences. Stiso College provides the following employee benefits, which it needs to evaluate against the recognition criteria. The following examples are not exhaustive of all salary-related payments that may be applicable.

- a. *Medicare and Social Security payroll taxes.* Employees of Stiso College are subject to those payroll taxes, which are calculated as a percentage of salary paid, up to the stated federal limits. The payment amount for those payroll taxes is a function of salary to be paid; therefore, the payments are directly associated. The government also will make an additional payment for those payroll taxes when compensated absences are paid (beyond the amount of the salary for the compensated absence), whether the compensated absences are paid as leave is used or upon termination of employment; therefore, those payments are incrementally associated as well. Accordingly, those salary-related payments are included in the liability for compensated absences.
- b. *Defined contribution pensions.* Stiso College has a defined contribution pension plan. The plan terms require Stiso College to provide defined contribution pensions equal to a set percentage of salary paid for the pay period, excluding payments of unused leave upon termination of employment. Because the defined contribution pension provided under the plan terms is a function of salary to be paid, it is directly associated. However, Stiso College provides defined contribution pensions related to compensated absences only in circumstances in which they are used as paid leave, not for payment of unused leave upon termination of employment. Therefore, the defined contribution pensions are incrementally associated only with leave more likely than not to be used and are included in the measurement of salary-related payments only in those cases. There will be no incremental defined contribution pension for leave that is paid upon termination of employment. Therefore, it is not incrementally associated with leave that is more likely than not to be paid in that manner. To determine the amount of defined contribution pensions to include in the liability for compensated absences, Stiso College separately estimates the amount of leave that is more likely than not to be used as paid leave rather than paid upon termination of employment.
- c. *Medical Insurance for Active Employees.* At Stiso College, medical insurance premiums are paid at a flat monthly amount based on historical medical claims experience. Because the payment amount is not a function of salary to be paid, it is not directly associated and is not included in the liability for compensated absences.
- d. *Life Insurance for Active Employees.* At Stiso College, life insurance premiums are a function of an employee's *normal* salary, but the premium paid does not increase or decrease based on the actual amount paid. Although the life insurance premiums do have a relationship to salary, the payment amount is not a function of the salary to be paid and, therefore, is not directly associated and is not included in the liability for compensated absences.

Illustration 3—Note Disclosure—Net Change in the Liability

COUNTY OF KLAUS
NOTE X—DETAIL NOTES ON ALL FUNDS
LONG-TERM DEBT
Long-Term Liability Activity

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 9,520,000	\$ 1,201,000	\$ (600,350)	\$ 10,120,650	\$ 817,200
Notes Payable	945,600	75,000	(115,000)	905,600	116,500
Total Bonds and Notes Payable	<u>10,465,600</u>	<u>1,276,000</u>	<u>(715,350)</u>	<u>11,026,250</u>	<u>933,700</u>
Other Liabilities:					
Compensated Absences	310,430	143,545*	-	453,975	382,673
Other Obligations	40,820	-	-	40,820	-
Total Other Liabilities	<u>351,250</u>	<u>143,545</u>	<u>-</u>	<u>494,795</u>	<u>382,673</u>
Governmental Activities Long-Term Liabilities	<u>\$ 10,816,850</u>	<u>\$ 1,419,545</u>	<u>\$ (715,350)</u>	<u>\$ 11,521,045</u>	<u>\$ 1,316,373</u>
Business-Type Activities					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 12,275,600	\$ 890,000	\$ (1,100,700)	\$ 12,064,900	\$ 988,700
Sales Tax-Backed Bonds	6,670,000	-	(810,000)	5,860,000	635,000
Total Bonds and Notes Payable	<u>18,945,600</u>	<u>890,000</u>	<u>(1,910,700)</u>	<u>17,924,900</u>	<u>1,623,700</u>
Other Liabilities:					
Compensated Absences	56,710	-	(24,985)*	31,725	19,570
Developer Agreements	1,920,909	87,220	(64,932)	1,943,197	-
Other Obligations	37,503	-	-	37,503	-
Total Other Liabilities	<u>2,015,122</u>	<u>87,220</u>	<u>(89,917)</u>	<u>2,012,425</u>	<u>19,570</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 20,960,722</u>	<u>\$ 977,220</u>	<u>\$ (2,000,617)</u>	<u>\$ 19,937,325</u>	<u>\$ 1,643,270</u>

*The change in the compensated absences liability is presented as a net change.

Appendix D

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—December 2023 Update

D1. The instructions that follow update the December 31, 2021 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the provisions of this Statement. Only the paragraph number of this Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

REPORTING LIABILITIES

SECTION 1500

.102 [In the list of amending sources of NCGAS 1, ¶42, remove GASBS 16, ¶16 and add GASBS 101, ¶8.]

.103 [In the list of amending sources of NCGAS 1, ¶43, remove GASBS 16, ¶13 and add GASBS 101, ¶8 and ¶29.]

* * *

BASIS OF ACCOUNTING

SECTION 1600

Sources: [Remove GASBS 16; add GASBS 101.]

.129 [Replace *compensated absences liabilities* with *liabilities for compensated absences*.] [NCGAS 4, ¶16 and ¶17, and NCGAI 8, ¶10, as amended by

GASBS 62, ¶¶96–¶113; GASBS 17, ¶6; GASBS 34, ¶82, as amended by GASBS 63, ¶8; GASBI 6, ¶14, as amended by GASBS 101, ¶29; GASBS 101, ¶8 and ¶29]

* * *

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SECTION 2200

.708-4 [Replace *Compensated absences liabilities* with *Liabilities for compensated absences*; replace *cannot be known reliably in advance* with *do not have a set payment schedule*.] [GASBIG 2015-1, Q7.22.4, as amended by GASBS 101, ¶3 and ¶8]

* * *

NOTES TO FINANCIAL STATEMENTS

SECTION 2300

.106 [In the sources, replace *NCGAS 1, ¶158* with *NCGAS 1, ¶158, as amended*.]

.120 [Replace subparagraphs (b) and (d) with the following:]

- b. Increases and decreases (separately presented, except a net increase or a net decrease with an indication that it is a net amount may be presented for compensated absences in lieu of the separate presentation)
- d. Which governmental funds typically have been used to liquidate other long-term liabilities, such as pension liabilities (but excluding liabilities for compensated absences), in prior years.

[GASBS 34, ¶119, as amended by GASBS 88, ¶4 and GASBS 101, ¶30 and ¶31]

[Insert new Question .706-5 as follows; renumber subsequent questions:]

.706-5 [Insert current .708-4 from Section 2200; replace *Compensated absences liabilities* with *Liabilities for compensated absences*; replace *cannot be*

known reliably in advance with do not have a set payment schedule.] [GASBIG 2015-1, Q7.22.4, as amended by GASBS 101, ¶3 and ¶8]

* * *

[Replace current Section C60 with the following:]

COMPENSATED ABSENCES

SECTION C60

Sources: GASBS 101, GASBI 6

Scope and Applicability of This Section

.101–.105 [GASBS 101, ¶2–¶6]

.106–.126 [GASBS 101, ¶8–¶28, including headings and footnote]

Financial Statements Prepared Using the Current Financial Resources Measurement Focus

.127 A liability for compensated absences should be accounted for and reported on a basis consistent with governmental fund accounting principles. The amount of compensated absences recognized as expenditures in financial statements prepared using the current financial resources measurement focus should be the amount that normally would be liquidated with expendable available financial resources. Liabilities for compensated absences are normally liquidated with expendable available financial resources, and a governmental fund liability and expenditure should be recognized, as payments come due each period upon the occurrence of relevant events such as employee resignations and retirements. The accumulation of earmarked net assets in a governmental fund for eventual payment of unmatured general long-term indebtedness, including compensated absences, does not constitute an outflow of current financial resources and should not result in the recognition of an additional governmental fund liability or expenditure. [GASBS 101, ¶29; GASBI 6, ¶14, as amended by GASBS 101, ¶29; GASBI 6, ¶16]

.128–.129 [GASBS 101, ¶30–¶31, including heading]

GASB IMPLEMENTATION GUIDES

.701 Scope and Applicability of This Section

No questions assigned.

.702 Recognition and Measurement

See Question .708-4 in Section 2200 for a discussion of reporting amounts due within one year of the statement date.

.703 Leave That Has Not Been Used

No questions assigned.

.704 Leave That Has Been Used

No questions assigned.

.705 Salary-Related Payments

No questions assigned.

.706 Relationship to Postemployment Benefits

No questions assigned.

.707 Financial Statements Prepared Using the Current Financial Resources Measurement Focus

No questions assigned.

.708 Notes to Financial Statements

See Question .706-5 in Section 2300 for a discussion of disclosure of amounts due within one year of the statement date.

* * *

**PENSION ACTIVITIES—REPORTING FOR BENEFITS SECTION P20
PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED BENEFIT**

Sources: [Add GASBS 101.]

[Revise footnote 5 as follows:]

⁵[Insert the following at the end of current footnote 5:] In addition, Section C60 addresses employer accounting and reporting for defined contribution OPEB that meets the definition in paragraph .120 of Section C60 of a salary-related payment. [GASBS 68, fn6, as amended by GASBS 75, ¶14 and ¶15; GASBS 101, ¶22–¶25]

.108 [In the last sentence, replace *Section P21* with *Section P21 and Section C60*; revise the first sentence as follows: Accounting and financial reporting requirements for defined contribution pensions provided through pension plans that are administered through trusts that meet the criteria in paragraph .101 are set forth in Section P21, “Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution,” and Section C60.] [GASBS 68, ¶10; GASBS 101, ¶22–¶25]

[Delete Question .701-14.]

* * *

**PENSION ACTIVITIES—REPORTING FOR BENEFITS SECTION P21
PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED CONTRIBUTION**

Sources: [Add GASBS 101.]

See also: [Add the following:] Section C60, “Compensated Absences”

.102 [Add the following as a new second sentence in the paragraph:] In addition, the requirements of Section C60 apply to state and local governmental employers’ salary-related payments related to defined contribution pensions. [GASBS 68, ¶15; GASBS 101, ¶22–¶25]

.103 [Add the following to the end of the paragraph:] In addition, the requirements of Section C60 apply to state and local governmental employers' salary-related payments related to defined contribution pensions. [GASBS 68, ¶6, as amended by GASBS 73, ¶4; GASBS 101, ¶22–¶25]

[Revise footnote 6 as follows:]

⁶[Insert the following at the end of current footnote 6:] In addition, Section C60 addresses employer accounting and reporting for defined contribution OPEB that meets the definition in paragraph .120 of Section C60 of a salary-related payment. [GASBS 68, fn6, as amended by GASBS 75, ¶4 and ¶5; GASBS 101, ¶22–¶25]

.106 [In the first sentence, replace *in this section* with *in this section and in Section C60*; in the last sentence, replace *this section* with *this section and Section C60*.] [GASBS 68, ¶10; GASBS 101, ¶22–¶25]

.108 [Insert the following at the end of the paragraph:] Additional requirements for all governmental employers' salary-related payments related to defined contribution pensions are presented in paragraphs .121–.123 of Section C60. [GASBS 68, ¶16; GASBS 85, ¶10; GASBS 101, ¶23–¶25]

.109 [Replace subparagraphs (a) and (b) with the following:]

- a. Pension expense equal to the total of (1) the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which pension expense was not recognized in a prior reporting period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as pension expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the pension liability equal to the difference between (1) the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer to the pension plan.

[GASBS 68, ¶123, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.112 [In subparagraph (f), replace *liability* with *pension liability*.] [GASBS 68, ¶126, as amended by GASBS 101, ¶25]

.113 [Replace subparagraphs (a) and (b) with the following:]

- a. Pension expense equal to the total of (1) the employer's share of the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which pension expense was not recognized in a prior reporting period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as pension expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the pension liability equal to the difference between (1) the employer's share of the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer to the pension plan.

[GASBS 68, ¶127, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.115 [Replace *pension expense* with *amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*; replace *employer's expense* with *employer's share of those amounts*.] [GASBS 68, ¶128, as amended by GASBS 101, ¶25]

.119 [In subparagraph (d), replace *pension expense* with *amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 68, ¶132, as amended by GASBS 101, ¶25]

.120 [In subparagraph (c), replace *pension expense* with *amount of contributions or credits to employees' accounts that are defined by the benefit terms as*

attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts).] [GASBS 68, ¶133, as amended by GASBS 101, ¶25]

.121 [Add GASBS 101, ¶25 to the sources.]

* * *

**PENSION ACTIVITIES—REPORTING FOR BENEFITS SECTION P22
NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED BENEFIT**

.530 [Revise the second sentence of the definition as follows:] Other postemployment benefits do not include (a) termination benefits or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB. [GASBS 73, ¶128, as amended by GASBS 101, ¶3]

* * *

**PENSION ACTIVITIES—REPORTING FOR BENEFITS SECTION P24
NOT PROVIDED THROUGH TRUSTS THAT MEET
SPECIFIED CRITERIA—DEFINED CONTRIBUTION**

Sources: [Add GASBS 101.]

See also: [Add the following:] Section C60, “Compensated Absences”

.102 [Add the following to the end of the paragraph:] In addition, the requirements of Section C60 apply to state and local governmental employers' salary-related payments related to defined contribution pensions. [GASBS 73, ¶6; GASBS 101, ¶22–¶25]

.103 [Add the following as a new second sentence in the paragraph:] In addition, the requirements of Section C60 apply to state and local governmental employers' salary-related payments related to defined contribution pensions. [GASBS 73, ¶7; GASBS 101, ¶22–¶25]

.105 [In the first sentence of the paragraph, replace *in this section* with *in this section and in Section C60*; in the first sentence after the lettered list, replace *this section* with *this section and Section C60*.] [GASBS 73, ¶13; GASBS 101, ¶22–¶25]

.107 [Insert the following at the end of the paragraph:] Additional requirements for all governmental employers' salary-related payments related to defined contribution OPEB are presented in paragraphs .121–.123 of Section C60. [GASBS 73, ¶16; GASBS 85, ¶10; GASBS 101, ¶23–¶25]

.108 [Replace subparagraphs (a) and (b) with the following:]

- a. Pension expense equal to the total of (1) the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which pension expense was not recognized in a prior period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as pension expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the pension liability equal to the difference between (1) the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer as the benefits come due during the fiscal year.

[GASBS 73, ¶102, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.111 [In subparagraph (g), replace *liability* with *pension liability*.] [GASBS 73, ¶105, as amended by GASBS 101, ¶25]

.112 [Replace subparagraphs (a) and (b) with the following:]

- a. Pension expense equal to the total of (1) the employer's share of the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which pension expense was not recognized in a prior period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees'

accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as pension expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.

- b. A change in the pension liability equal to the difference between (1) the employer's share of the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer as the benefits come due during the fiscal year.

[GASBS 73, ¶106, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.114 [Replace *pension expense* with *amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*; replace *employer's expense* with *employer's share of those amounts*.]

[GASBS 73, ¶107, as amended by GASBS 101, ¶25]

.118 [In subparagraph (e), replace *pension expense* with *amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 73, ¶111, as amended by GASBS 101, ¶25]

.119 [In subparagraph (d), replace *pension expense* with *amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 73, ¶112, as amended by GASBS 101, ¶25]

.120 [Add GASBS 101, ¶25 to the sources.]

* * *

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS PROVIDED
THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED BENEFIT**

SECTION P50

Sources: [Add GASBS 101.]

.104 [Revise the sentences after the lettered list as follows:] OPEB does not include (a) **termination benefits** or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB.⁴ However, the effects of a termination benefit on liabilities for defined benefit OPEB should be accounted for in conformity with this section or Section P52, as applicable.⁵ Similarly, when a terminating employee's unused compensated absences are converted to provide or enhance defined benefit OPEB, the resulting benefit or increase in benefit should be accounted for in conformity with this section. When provided through a pension plan, postemployment benefits other than postemployment healthcare benefits should be accounted for and reported as **pensions**, separate from OPEB.⁶ [GASBS 75, ¶18, as amended by GASBS 101, ¶13]

⁴[Revise current footnote 4 as follows:] Compensated absences are addressed in Section C60, "Compensated Absences," and include unused sick leave for which employees receive payment upon termination of employment through distribution to an individual account to be used for payment of the employee's share of postemployment healthcare premiums. [GASBS 75, fn5, as amended by GASBS 101, ¶12 and ¶128]

⁵[Insert current footnote 5.]

⁶[Insert the following at the end of current footnote 6:] In addition, Section C60 addresses employer accounting and reporting for defined contribution pensions that meet the definition in paragraph .120 of Section C60 of a salary-related payment. [GASBS 75, fn7; GASBS 101, ¶122–¶125]

.106 [In the first sentence, replace *and Section P54, "Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution,"* with *Section P54, "Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution,"* and *Section C60*; in the first sentence after the lettered list, replace *Section P54* with *Section P54, as well as Section C60,.*] [GASBS 75, ¶10; GASBS 101, ¶122–¶125]

.539 [Revise the second sentence of the definition as follows:] OPEB does not include (a) termination benefits or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB. [GASBS 75, ¶246, as amended by GASBS 101, ¶3]

[Delete Questions .701-18 and .701-19; renumber subsequent questions.]

.701-18 [In the answer in current Question .701-20, replace *unused sick leave credits* with *unused compensated absences*; replace *Paragraph .104* with *Footnote 4*.] [GASBIG 2017-3, Q4.20, as amended by GASBS 101, ¶3]

[Delete current Question .701-23.]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P51**

Sources: [Add GASBS 101.]

See also: [Add the following:] Section C60, “Compensated Absences”

.102 [Add the following as a new second sentence in the paragraph:] In addition, the requirements of Section C60 apply to state and local governmental employers’ salary-related payments related to defined contribution OPEB. [GASBS 75, ¶6; GASBS 101, ¶22–¶25]

.103 [Replace the sentences after the lettered list with the following:] OPEB does not include **termination benefits**⁵ or compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB.⁶ When provided through a pension plan, postemployment benefits other than postemployment healthcare benefits should be accounted for and reported as pensions, separate from OPEB.⁷ [GASBS 75, ¶8, as amended by GASBS 101, ¶3]

⁵[Insert current footnote 5.]

⁶[Revise current footnote 6 as follows:] Compensated absences are addressed in Section C60

and include unused sick leave for which employees receive payment upon termination of employment through distribution to an individual account to be used for payment of the employee's share of postemployment healthcare premiums. [GASBS 75, fn5, as amended by GASBS 101, ¶2 and ¶28]

⁷[Insert the following at the end of current footnote 7:] In addition, Section C60 addresses employer accounting and reporting for defined contribution pensions that meet the definition in paragraph .120 of Section C60 of a salary-related payment. [GASBS 75, fn7; GASBS 101, ¶22–¶25]

.104 [In the first sentence, replace *in this section* with *in this section and in Section C60*; in the first sentence after the lettered list, replace *this section* with *this section and Section C60*.] [GASBS 75, ¶10; GASBS 101, ¶22–¶25]

.106 [Insert the following at the end of the paragraph:] Additional requirements for all governmental employers' salary-related payments related to defined contribution OPEB are presented in paragraphs .121–.123 of Section C60. [GASBS 75, ¶20; GASBS 85, ¶10; GASBS 101, ¶23–¶25]

.107 [Replace subparagraphs (a) and (b) with the following:]

- a. OPEB expense equal to the total of (1) the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which OPEB expense was not recognized in a prior period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as OPEB expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the OPEB liability equal to the difference between (1) the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer to the OPEB plan.

[GASBS 75, ¶230, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.110 [In subparagraph (f), replace *liability* with *OPEB liability*.] [GASBS 75, ¶233, as amended by GASBS 101, ¶25]

.111 [Replace subparagraphs (a) and (b) with the following:]

- a. OPEB expense equal to the total of (1) the employer's share of the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which OPEB expense was not recognized in a prior period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as OPEB expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the OPEB liability equal to the difference between (1) the employer's share of the amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer to the OPEB plan.

[GASBS 75, ¶234, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.113 [Replace *OPEB expense* with *amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*; replace *employer's expense* with *employer's share of those amounts*.] [GASBS 75, ¶235, as amended by GASBS 101, ¶25]

.117 [In subparagraph (d), replace *OPEB expense* with *amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 75, ¶239, as amended by GASBS 101, ¶25]

.118 [In subparagraph (c), replace *OPEB expense* with *amount of contributions or credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 75, ¶240, as amended by GASBS 101, ¶25]

.119 [Add GASBS 101, ¶25 to the sources.]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT **SECTION P52**

Sources: [Add GASBS 101.]

.104 [Revise the sentences after the lettered list as follows:] OPEB does not include (a) **termination benefits** or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB.⁴ However, the effects of a termination benefit or a cash payment for compensated absences on liabilities for defined benefit OPEB should be accounted for in conformity with this section.⁵ Similarly, when a terminating employee's unused compensated absences are converted to provide or enhance defined benefit OPEB, the resulting benefit or increase in benefit should be accounted for in conformity with this section or Section P50, as applicable. When provided through a pension plan, postemployment benefits other than postemployment healthcare benefits should be accounted for and reported as pensions, separate from OPEB.⁶ [GASBS 75, ¶8, as amended by GASBS 101, ¶3]

⁴[Revise current footnote 4 as follows:] Compensated absences are addressed in Section C60, "Compensated Absences," and include unused sick leave for which employees receive payment upon termination of employment through distributions to an individual account to be used for payment of the employee's share of postemployment healthcare premiums. [GASBS 75, fn5, as amended by GASBS 101, ¶2 and ¶28]

⁵[Insert current footnote 5.]

⁶[Insert the following at the end of current footnote 6.] In addition, Section C60 addresses employer accounting and reporting for defined contribution pensions that meet the definition in paragraph .120 of Section C60 of a salary-related payment. [GASBS 75, fn7; GASBS 101, ¶22–¶25]

[Delete Questions .701-10 and .701-11; renumber subsequent questions.]

.701-10 [In the answer in current Question .701-12, replace *unused sick leave credits* with *unused compensated absences*; replace *Paragraph .104* with *Footnote 4*] [GASBIG 2017-3, Q4.20, as amended by GASBS 101, ¶3]

* * *

REPORTING ASSETS ACCUMULATED FOR DEFINED BENEFIT POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA **SECTION P53**

Sources: [Add GASBS 101.]

.105 [Revise the first sentence after the lettered list as follows:] OPEB does not include (a) **termination benefits**² or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB.³ [GASBS 74, ¶10, as amended by GASBS 101, ¶3]

²[Insert current footnote 2.]

³[Revise current footnote 3 as follows:] Compensated absences are addressed in Section C60, “Compensated Absences.” [GASBS 74, fn6, as amended by GASBS 101, ¶2]

* * *

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS—REPORTING FOR BENEFITS NOT PROVIDED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED CONTRIBUTION **SECTION P54**

Sources: [Add GASBS 101.]

See also: [Add the following:] Section C60, “Compensated Absences”

.102 [Add the following as a new second sentence in the paragraph:] In addition, the requirements of Section C60 apply to state and local governmental employers’ salary-related payments related to defined contribution OPEB. [GASBS 75, ¶6; GASBS 101, ¶22–¶25]

.103 [Replace the sentences after the lettered list with the following:] OPEB does not include (a) **termination benefits**⁵ or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit OPEB.⁶ When provided through a pension plan, postemployment benefits other than postemployment healthcare benefits should be accounted for and reported as pensions, separate from OPEB.⁷ [GASBS 75, ¶18, as amended by GASBS 101, ¶3]

⁵[Insert current footnote 5.]

⁶[Revise current footnote 6 as follows:] Compensated absences are addressed in Section C60 and include unused sick leave for which employees receive payment upon termination of employment through distribution to an individual account to be used for payment of the employee's share of postemployment healthcare premiums. [GASBS 75, fn5, as amended by GASBS 101, ¶2 and ¶28]

⁷[Insert the following at the end of current footnote 7:] In addition, Section C60 addresses employer accounting and reporting for defined contribution pensions that meet the definition in paragraph .120 of Section C60 of a salary-related payment. [GASBS 75, fn7; GASBS 101, ¶22–¶25]

.104 [In the first sentence, replace *in this section* with *in this section and in Section C60*; in the first sentence after the lettered list, replace *this section* with *this section and Section C60*.] [GASBS 75, ¶10; GASBS 101, ¶22–¶25]

.106 [Insert the following at the end of the paragraph:] Additional requirements for all governmental employers' salary-related payments related to defined contribution OPEB are presented in paragraphs .121–.123 of Section C60. [GASBS 75, ¶20; GASBS 85, ¶10; GASBS 101, ¶23–¶25]

.107 [Replace subparagraphs (a) and (b) with the following:]

- a. OPEB expense equal to the total of (1) the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which pension expense was not recognized in a prior period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as OPEB expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.

- b. A change in the OPEB liability equal to the difference between (1) the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer as the benefits come due during the fiscal year.

[GASBS 75, ¶230, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.110 [In subparagraph (g), replace *liability* with *OPEB liability*.] [GASBS 75, ¶233, as amended by GASBS 101, ¶25]

.111 [Replace subparagraphs (a) and (b) with the following:]

- a. OPEB expense equal to (1) the employer's share of the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period for which pension expense was not recognized in a prior period in accordance with paragraph .123 of Section C60, net of forfeited amounts that are removed from employees' accounts and (2) amounts recognized in accordance with paragraph .123 of Section C60 as OPEB expense for the reporting period. Amounts that are reallocated to the accounts of other employees should not be considered forfeited amounts for this purpose.
- b. A change in the OPEB liability equal to the difference between (1) the employer's share of the amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period, net of forfeited amounts that are removed from employees' accounts and (2) amounts paid by the employer as the benefits come due during the fiscal year.

[GASBS 75, ¶234, as amended by GASBS 101, ¶25; GASBS 101, ¶25]

.113 [Replace *OPEB expense* with *amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*; replace *employer's expense* with *employer's share of those amounts*.]
[GASBS 75, ¶235, as amended by GASBS 101, ¶25]

.117 [In subparagraph (e), replace *OPEB expense* with *amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 75, ¶239, as amended by GASBS 101, ¶25]

.118 [In subparagraph (d), replace *OPEB expense* with *amount of credits to employees' accounts that are defined by the benefit terms as attributable to employees' services in the period (net of forfeited amounts that are removed from employees' accounts)*.] [GASBS 75, ¶240, as amended by GASBS 101, ¶25]

.119 [Add GASBS 101, ¶25 to the sources.]

* * *

**POSTEMPLOYMENT BENEFIT PLANS
(OTHER THAN PENSION PLANS) ADMINISTERED
THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED BENEFIT**

SECTION Po50

Sources: [Add GASBS 101.]

.105 [Revise the first sentence after the lettered list as follows:] OPEB does not include (a) **termination benefits**⁴ or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit pensions.⁵ [GASBS 74, ¶10, as amended by GASBS 101, ¶3]

⁴[Insert current footnote 4.] [GASBS 74, fn5]

⁵[Revise current footnote 5 as follows:] Compensated absences are addressed in Section C60, "Compensated Absences," and include unused sick leave for which employees receive payment upon termination of employment through distribution to an individual account to be used for payment of the employee's share of postemployment healthcare premiums. However, when a terminating employee's unused sick leave is converted to provide or enhance defined benefit OPEB, the resulting benefit or increase in benefit should be included in measures of OPEB liabilities that are required by this section. [GASBS 74, fn6, as amended by GASBS 101, ¶2 and ¶28]

.529 [Revise the second sentence of the definition as follows:] OPEB does not include (a) termination benefits or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit pensions. [GASBS 74, ¶63, as amended by GASBS 101, ¶3]

[Delete Questions .701-20 and .701-21; renumber subsequent questions.]

.701-20 [In the answer in current Question .701-22, replace *unused sick leave credits* with *unused compensated absences*.] [GASBIG 2017-2, Q4.22, as amended by GASBS 101, ¶3]

* * *

**POSTEMPLOYMENT BENEFIT PLANS
(OTHER THAN PENSION PLANS) ADMINISTERED
THROUGH TRUSTS THAT MEET SPECIFIED
CRITERIA—DEFINED CONTRIBUTION**

SECTION Po51

Sources: [Add GASBS 101.]

.103 [Revise the first sentence after the lettered list as follows:] OPEB does not include (a) **termination benefits**⁵ or (b) compensated absences that are paid in cash or settled through noncash means other than conversion to defined benefit pensions.⁶ [GASBS 74, ¶10, as amended by GASBS 101, ¶3]

⁵[Insert current footnote 5.]

⁶[Revise current footnote 6 as follows:] Compensated absences are addressed in Section C60, “Compensated Absences,” and include unused sick leave for which employees receive payment upon termination of employment through distribution to an individual account to be used for payment of the employee’s share of postemployment healthcare premiums. [GASBS 74, fn6, as amended by GASBS 101, ¶2 and ¶28]

[Delete Question .701-5.]

* * *

Comprehensive Implementation Guide—December 2023 Update

D2. The instructions that follow update the December 31, 2021 *Comprehensive Implementation Guide* for the provisions of this Statement.

* * *

5.255.1. [Replace the question and answer with the following:] [Question number not used]

7.22.4. [Replace *Compensated absences liabilities* with *Liabilities for compensated absences*; replace *cannot be known reliably in advance* with *do not have a set payment schedule*.] [GASBIG 2015-1, Q7.22.4, as amended by GASBS 101, ¶3 and ¶8]

[Revise heading 8.99 as follows:] Compensated absence-to-healthcare conversions

8.99.1 and 8.99.2. [Replace the questions and answers with the following:] [Question number not used]

8.99.3. [In the answer, replace *Footnote 6 of Statement 74* with *Footnote 6 of Statement 74, as amended*, and replace *unused sick leave credits* with *unused compensated absences*.] [GASBIG 2017-2, Q4.22, as amended by GASBS 101, ¶3]

[Revise heading 8.183 as follows:] Compensated absence-to-healthcare conversions

8.183.1 and 8.183.2. [Replace the questions and answers with the following:] [Question number not used]

8.183.3. [In the answer, replace *Paragraph 8 of Statement 75* with *Paragraph 8 of Statement 75, as amended*, and replace *unused sick leave credits* with *unused compensated absences*.] [GASBIG 2017-3, Q4.20, as amended by GASBS 101, ¶3]

8.451.1. [Replace the question and answer with the following:] [Question number not used]

[Delete Questions Z.16.1 and Z.16.2 and associated heading.]