POLICY

POLICY STATEMENT

EMPLOYMENT RELATED LIABILITIES

Section: Human Resources
Title: Employment Related Liabilities
Number: 57.300

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POLICY

.100 POLICY STATEMENT
OUS recording of payroll expenses in the accounting records and financial statements follows the accrual method of accounting and applicable statements of the Governmental Accounting Standards Board (GASB). All payroll expenses incurred but not paid as of fiscal year-end are recorded and reported as an employment related liability.

.110 POLICY RATIONALE

OUS seeks to ensure that the policies and procedures related to recording of payroll expenses in the accounting records and financial statements are documented, communicated, clearly understood, and consistently applied.

.120 AUTHORITY

The basis for this policy is provided in the following:

- ORS 351.085 - Duties and Powers of Chancellor
- OAR 580-040-0005 - Delegation and Assignment of Responsibility
- IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility
- GASB Statement No. 16 - Accounting for Compensated Absences
- GASB Statement No. 27 - Accounting for Pensions by State and Local Governmental Employers
- GASB Statement No. 32 - Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—a rescission of GASB Statement No. 2 and an amendment of GASB Statement No. 31
- GASB Statement No. 34 - Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments
- GASB Statement No. 35 - Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities—an amendment of GASB Statement No. 34
- GASB Statement No. 45 - Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions
- GASB Statement No. 47 - Accounting for Termination Benefits

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Associate Vice Chancellor for Finance and Administration/Controller on September 7, 2010, with an effective date of June 30, 2010. Revised June 12, 2014.

.140 KNOWLEDGE OF THIS POLICY

All institutional and Chancellor's Office personnel with financial management responsibilities and accounting and financial reporting responsibilities should be knowledgeable of this policy

.160 RESPONSIBILITIES

A. Chancellor's Office

- To ensure that all payroll expenses and employment related liabilities are recorded in the OUS accounting records and financial statements under the accrual method of accounting.
B. Institutions

- To ensure that actual payroll expenses agree to the compensation terms of the university’s employment agreements, notices of appointment, and bargaining agreements.
- To ensure that all payroll expenses, including applicable taxes, pension costs, etc., incurred but not paid as of fiscal year-end are recorded as employment related liabilities in the university accounting records.
- To prepare an annual schedule pertaining to employment related liabilities.
- To provide a copy of new employment related liabilities agreements to the Controller’s Division for annual financial statement audit support.

.200 EMPLOYMENT RELATED LIABILITIES POLICIES

.210 General Policies

Payment and funding of the compensation provisions of employment agreements, notices of appointment, and bargaining agreements are the responsibility of the university. All compensation, regardless of funding source, is recorded in the university’s accounting records.

Payroll expense is incurred when earned by employees based on when the services required to earn the compensation, benefits, or other pay have been performed. Services performed by employees that benefit future years are still considered a period cost and are therefore recorded as payroll expense, not prepaid expense.

Payroll expense not paid by June 30 represents an employment related liability.

The university is responsible for ensuring that actual payroll expenses agree to the compensation terms of the university’s employment agreements, notices of appointment, and bargaining agreements.

.220 Academic-year employees paid over 12 months

Some nine month academic year employees elect to receive paychecks over 12 months. The payroll expense is incurred during the academic year (from September through June) but is paid throughout the calendar year. Payroll expenses incurred but not paid by June 30 represent a liability. This liability is recorded in the university’s accounting records in account codes that roll up to account code B1000 – Salary and Wages Payable.

.230 Hourly payroll

Pay periods for employees earning wages on an hourly basis are often from the 16th of one month to the 15th of the following month and are paid at the end of that following month. The fiscal year-end accounting records at June 30 do not include the hourly payroll incurred from June 16 through June 30. This liability pertaining to hourly payroll is not recorded in the university’s accounting records but is accrued by OUS Controller’s Division in the annual financial statements.
.240 Compensated absences

Compensated absences liability is estimated annually by the Controller’s Division, verified by the university, and recorded in the university’s accounting records in account code B1990 – Compensated Absences Liability. Refer to OUS fiscal policy 05.321 - Compensated Absences Accounting Policy for additional information.

.250 Early retirement liabilities

Liabilities incurred for early retirement incentives are recorded in the university’s accounting records with account code B0370 – Early Retirement Liability. The liability is calculated at the discounted present value of expected future benefit payments, using the monthly averages of the past 5 years of the Oregon Short-Term Fund annual yield as the discount rate. Universities with early retirement liabilities maintain records to calculate the liability, and submit the updated documents at fiscal year end to the Controller’s Division as part of the closing of the books procedures.

.260 Other post-employment benefits

Liabilities for other post-employment benefits (OPEB) are not recorded in the university accounting records. The change in OPEB obligation is based on an actuarial valuation for the State of Oregon. The liability is allocated to state agencies by the Department of Administrative Services based on actual health insurance premiums paid by agencies. The liabilities are adjusted by OUS for financial reporting purposes. For additional information, refer to OUS fiscal policy 05.331 – Accounting for Other Post Employment Benefits (OPEB).

.270 Termination pay

The liability for termination pay is recorded in the university’s accounting records in account code B1992 – Employee Termination Liability. The liability is calculated at the discounted present value of expected future benefit payments, including applicable taxes, pension costs, etc., using the monthly averages of the past 5 years of the Oregon Short-Term Fund annual yield as the discount rate. Universities with termination pay liabilities maintain records to calculate the liability, and submit the updated documents at fiscal year end to the Controller’s Division as part of the closing of the books procedures.

.280 OUS Supplemental Retirement Plan

Universities make payments required by employment agreements to the OUS Supplemental Retirement Plan by the close of each fiscal year. The payments are made to the Chancellor’s Office fund 940012 –Supplemental Retirement Plan Contrib, and are recorded in the university’s accounting records in account code 10907 – OPE JV Adj Retirement.

.290 Deferred compensation
Deferred compensation as provided for in employment agreements is recorded as a liability in the university’s accounting records in liability account B1991 Deferred Comp Liability (Unfunded), and expense account 10934 – Accrued Deferred Comp (Unfunded). The liability and expense are updated on a monthly basis.

Universities are encouraged to record the deferred compensation liability in a separate fund especially if the funding for the deferred compensation will come from Foundation and/or other gift sources.

.400 ANNUAL SCHEDULE

Universities provide an annual schedule to the OUS Controller’s Division of the employment related liabilities. (See Section .700 for sample schedule.) The schedule is as of fiscal year end and is therefore dated June 30 of the fiscal year-end.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

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<th>Subject</th>
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<tbody>
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<td>General questions from institutional personnel</td>
<td>Institution Business Affairs Office</td>
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<tr>
<td>General questions from institutional central administration and Chancellor's Office personnel</td>
<td>Chancellor's Office Controller's Division</td>
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.695 HISTORY

09/07/10 - Approved
06/12/14 - Updated

Policy Last Updated: 06/12/14

APPENDIX

.700 FORMS

Annual Schedule Template
.995 HISTORY

09/07/10 Approved
06/12/14 Updated

Appendix Last Updated: 09/07/10