

**public sector accounting handbook
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HIGHLIGHT SUMMARY

(Note: New Handbook material or changes in existing material are identified in each HANDBOOK REVISIONS RELEASE.)

Post-employment benefits, compensated absences and termination benefits, Section PS 3255

This new Section recommends how to account for and report a government's obligations for post-employment benefits, compensated absences and termination benefits in government summary financial statements. It applies to federal, provincial, territorial and local governments. The Recommendations are consistent with the Recommendations set out in RETIREMENT BENEFITS, Section PS 3250. The underlying principles of PS 3250 form the framework for this new Section. The Section includes the following main Recommendations and guidance:

- The Section defines three types of employee future benefits — post-employment benefits, compensated absences and termination benefits. It sets out the characteristics of these benefits that are significant in determining the accounting recognition.
- Governments recognize a liability and expense / expenditure for those post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the government. Such benefits are accounted for on a full accrual basis using the principles established in RETIREMENT BENEFITS, Section PS 3250.
- Benefits that accumulate but do not vest are normally paid only upon injury- or illness-related absences. The measurement of the obligation for accumulating non-vesting benefits considers the expectation of future utilization of the benefits. After review of the circumstances, it may be determined that this obligation is not significant and may not justify accrual.
- Governments recognize a liability and expense / expenditure for post-employment benefits and compensated absences that do not vest or accumulate when the event that obligates the government occurs. These are called event-driven benefits.
- Termination benefits are also event-driven benefits and are recognized as a liability and expense / expenditure when the government is demonstrably committed to terminating employment or providing benefits as a result of an offer to encourage voluntary termination.

Governments are required to implement this Section for fiscal years beginning on or after January 1, 2004 although earlier adoption is encouraged.

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