

# 712 - Compensation-Nonretirement Postemployment Benefits

## 712-10 - Overall

### 712-10-00 - Status

**General Note:** The Status Section identifies changes to this Subtopic resulting from Accounting Standards Updates. The Section provides references to the affected Codification content and links to the related Accounting Standards Updates. Nonsubstantive changes for items such as editorial, link and similar corrections are included separately in Maintenance Updates.

#### General

712-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
<a href="#">712-10-60-2</a>	Amended	<a href="#">Accounting Standards Update No. 2009-17</a>	12/23/2009

### 712-10-05 - Overview and Background

**General Note:** The Overview and Background Section provides overview and background material for the guidance contained in the Subtopic. It does not provide the historical background or due process. It may contain certain material that users generally consider useful to understand the typical situations addressed by the standards. The Section does not summarize the accounting and reporting requirements.

#### General

712-10-05-1 The Compensation-Nonretirement Postemployment Benefits Topic provides guidance on nonretirement postemployment benefits, including termination benefits and other postemployment benefits provided to former and inactive employees. This Topic contains only the Overall Subtopic.

#### Termination Benefits

712-10-05-2 An employer may provide benefits to employees in connection with their termination of employment. They may be either special termination benefits offered only for a short period of time or contractual termination benefits required by the terms of a plan only if a specified event, such as a plant closing, causes employees' services to be terminated involuntarily. Termination benefits may take various forms including lump-sum payments, periodic future payments, or both. They may be paid directly from an employer's assets, an existing pension plan, a new employee benefit plan, or a combination of those means.

712-10-05-3 See Section [712-10-15](#) for links to other Topics in the Codification that provide guidance on termination benefits, such as the following:

- a. One-time termination benefits resulting from an exit or restructuring activity
- b. Termination benefits (for example, supplemental early retirement benefits, termination indemnities) paid through a pension or other postretirement plan.

#### Other Postemployment Benefits

712-10-05-4 Other postemployment benefits include all benefits listed in the following paragraph. These include benefits that are paid before retirement and not payable from a pension or other postretirement plan.

712-10-05-5 Other postemployment benefits include, but are not limited to, the following:

- a. Salary continuation

- b. Supplemental unemployment benefits
- c. Severance benefits
- d. Disability-related benefits (including workers' compensation)
- e. Job training and counseling
- f. Continuation of benefits such as health care benefits and life insurance coverage.

712-10-05-6 Generally, other postemployment benefits are part of the compensation provided to an employee in exchange for service.

## 712-10-15 - Scope and Scope Exceptions

**General Note:** The Scope and Scope Exceptions Section outlines the items (for example, the entities, transactions, instruments, or events) to which the guidance in the Subtopic does or does not apply. In some cases, the Section may contain definitional or other text to frame the scope.

**General Note for Financial Instruments:** Some of the items subject to the guidance in this Subtopic are financial instruments. For guidance on matters related broadly to all financial instruments, (including the fair value option, accounting for registration payment arrangements, and broad financial instrument disclosure requirements), see Topic [825](#). See Section [825-10-15](#) for guidance on the scope of the Financial Instruments Topic.

### General

#### Overall Guidance

712-10-15-1 The Scope Section of the Overall Subtopic establishes the pervasive scope for the Compensation-Nonretirement Postemployment Benefits Topic.

#### Entities

712-10-15-2 The guidance in the Compensation-Nonretirement Postemployment Benefits Topic applies to all entities and all employers that offer or have offered termination or other postemployment benefits to employees and former employees in connection with their termination of employment or their transfer to inactive status. The benefits covered by this Topic are paid before retirement and are not paid from a pension or other postretirement plan.

#### Transactions

712-10-15-3 The guidance in the Compensation-Nonretirement Postemployment Benefits Topic applies to the following nonretirement postemployment benefits:

- a. Special or contractual termination benefits that are payable before retirement and are not payable from a pension or other postretirement plan.
- b. All types of other postemployment benefits provided to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement. Benefits may be provided in cash or in kind and may be paid as a result of a disability, layoff, death, or other event. Benefits may be paid immediately upon cessation of active employment or over a specified period of time. Employees' rights to benefits may accumulate or vest as they render service. See paragraph [710-10-25-1\(b\)](#) for a description of the meaning of accumulate or vest.

712-10-15-4 The guidance in this Topic does not apply to the following benefits:

- a. Benefits provided through a pension or postretirement benefit plan (See Subtopics [715-30](#) and [715-60](#), which specify the accounting for those costs.)
- b. Individual deferred compensation arrangements that are addressed by Subtopic [710-](#)

- c. Special or contractual termination benefits, payable upon termination, from a defined benefit pension plan, or payable upon retirement, covered by Subtopic [715-30](#).
- d. Special or contractual termination benefits other than pension (for example, welfare benefits), payable upon termination from a defined benefit other postretirement plan, or payable upon retirement, covered under Subtopic [715-60](#).
- e. One-time termination benefits covered in Subtopic [420-10](#) (see the following paragraph).
- f. Stock compensation plans that are addressed by Topic [718](#).

### Other Considerations

- 712-10-15-5 As indicated in paragraph [420-10-05-4](#), accounting for termination benefits granted in connection with an exit or disposal activity will differ depending on whether the benefits payable are considered an enhancement to an ongoing benefit arrangement, (covered by this Subtopic or Subtopics referenced in the preceding paragraph) or provided under a one-time termination arrangement covered by Topic [420](#). For guidance on making this determination, see paragraph [420-10-55-1](#) and Example 5 (paragraph [420-10-55-16](#)).

## 712-10-20 - Glossary

**General Note:** The Master Glossary contains all terms identified as glossary terms throughout the Codification. Clicking on any term in the Master Glossary will display where the term is used. The Master Glossary may contain identical terms with different definitions, some of which may not be appropriate for a particular Subtopic. For any particular Subtopic, users should only use the glossary terms included in the particular Subtopic Glossary Section (Section 20).

### Inactive Employees

Employees who are not currently rendering service to the employer and who have not been terminated. They include those who have been laid off and those on disability leave, regardless of whether they are expected to return to active status.

### Nonretirement Postemployment Benefits

All types of benefits, other than those provided through a pension or other postretirement plan (see Subtopics [715-30](#) and [715-60](#)), provided to former or inactive employees, their beneficiaries, and covered dependents.

### Other Postemployment Benefits

Benefits, other than special or contractual termination benefits, that are provided by an employer to former or inactive employees after employment but before retirement including benefits provided to beneficiaries and covered dependents.

### Special Termination Benefits

Benefits that are offered for a short period of time in exchange for employees' voluntary termination of service.

### Termination Benefits

Benefits provided by an employer to employees in connection with their termination of employment. They may be either special termination benefits offered only for a short period of time or contractual benefits required by the terms of a plan only if a specified event, such as a plant closing, occurs.

## 712-10-25 - Recognition

**General Note:** The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

**General Note for Fair Value Option:** Some of the items subject to the guidance in this Subtopic may qualify for application of the Fair Value Option Subsections of Subtopic [825-10](#). Those Subsections (see paragraph [825-10-05-5](#)) address circumstances in which entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section [825-10-15](#) for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

## General

### Special Termination Benefits

**712-10-25-1** Nonretirement postemployment benefits offered as special termination benefits to employees shall be recognized as a liability and a loss when the employees accept the offer and the amount can be reasonably estimated. An employer that offers, for a short period of time, special termination benefits to employees, shall not recognize a loss at the date the offer is made based on the estimated acceptance rate.

### Contractual Termination Benefits

**712-10-25-2** An employer that provides contractual termination benefits shall recognize a liability and a loss when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated. The cost of termination benefits recognized as a liability and a loss shall include the amount of any lump-sum payments and the present value of any expected future payments.

**712-10-25-3** A situation involving special or contractual termination benefits may also constitute a curtailment to be accounted for under paragraphs [715-30-35-92 through 35-96](#) and [715-60-35-161 through 35-171](#).

### Determining the Timing and Method of Accruing Other Postemployment Benefits

**712-10-25-4** Other postemployment benefits that meet the conditions in paragraph [710-10-25-1](#) shall be accounted for in accordance with Subtopic [710-10](#).

**712-10-25-5** Other postemployment benefits that are within the scope of this Subtopic and that do not meet the conditions in paragraph [710-10-25-1](#) shall be accounted for in accordance with paragraph [450-20-25-2](#). For example, an employer may provide any former employee on permanent disability with continued medical insurance coverage until that employee meets the requirements for participation in the employer's postretirement medical plan. If the level of benefits provided is the same for any disabled employee regardless of years of service, the cost of those benefits should be recognized when the event causing a permanent disability occurs and a reasonable estimate can be made as specified by that paragraph.

## 712-10-30 - Initial Measurement

**General Note:** The Initial Measurement Section provides guidance on the criteria and amounts used to measure a particular item at the date of initial recognition.

## General

**712-10-30-1** See Section [712-10-25](#) for guidance on initial measurement.

## 712-10-35 - Subsequent Measurement

**General Note:** The Subsequent Measurement Section provides guidance on an entity's subsequent measurement and subsequent recognition of an item. Situations that may result in subsequent changes to carrying amount include impairment, credit losses, fair value adjustments, depreciation and amortization, and so forth.

## General

**712-10-35-1** To the extent that similar issues apply to other postemployment benefit plans, employers

may refer to Subtopics [715-30](#) and [715-60](#) for guidance in measuring their other postemployment obligations in compliance with the requirements of this Subtopic. As a result, the use of discounting in measuring other postemployment benefit obligations will continue to be permitted but not required.

## 712-10-50 - Disclosure

**General Note:** The Disclosure Section provides guidance regarding the disclosure in the notes to financial statements. In some cases, disclosure may relate to disclosure on the face of the financial statements.

### General

#### Termination Benefits

712-10-50-1 For guidance on disclosure requirements related to special and contractual termination benefits, see paragraph [715-20-50-1](#).

#### Other Postemployment Benefits

712-10-50-2 If an obligation for other postemployment benefits is not accrued in accordance with paragraphs [450-20-25-2](#) or [710-10-25-1](#) only because the amount cannot be reasonably estimated, the financial statements shall disclose that fact.

## 712-10-60 - Relationships

**General Note:** The Relationships Section contains links to guidance that may be helpful to, but not required by, a user of the Subtopic. This Section may not be all-inclusive. The relationship items are organized according to the Topic structure in the Codification.

### General

#### Business Combinations

712-10-60-1 For guidance on recognition of liabilities for contractual termination benefits or changing benefit plan assumptions in anticipation of a business combination, see Subtopic [805-20](#).

#### Consolidation

712-10-60-2 For guidance prohibiting the consolidation of an employee benefit plan subject to the provisions of this Subtopic, see paragraph [810-10-15-12\(a\)](#).