


<b>Department of Human Resource Management Policies and Procedures Manual</b>	
 <a href="#">Print This Policy</a>   <a href="#">Policies</a>	
<b>Policy Number: 1.57 - Severance Benefits</b> <b>Eff. Date: 1/01/95 Rev. Date: 8/10/02</b>	
<i>Application: Full-time classified employees; and eligible full- and part-time restricted and part-time classified employees.</i>	
<b>PURPOSE</b>	
Provides severance benefits to eligible full-time classified and restricted employees and to eligible part-time classified and restricted employees who have been involuntarily separated from state service by <a href="#">Policy 1.30, Layoff</a> .	
<b>DEFINITIONS</b>	
<b>Continuous State Service</b>	Period of salaried state service that for this policy is counted from the employee's last date of hire or re-hire into a state salaried position.
<b>Eligible employee</b>	<p>The following employees are eligible to receive severance benefits:</p> <ul style="list-style-type: none"> <li>• All full-time classified employees who are involuntarily separated as defined in this policy.</li> <li>• Restricted full-time employees; however, restricted employees in grant-funded positions as defined in the Catalog of Federal Domestic Assistance are eligible to receive severance benefits ONLY if the funding source has agreed to assume all financial responsibility in its written contract with the Commonwealth.</li> <li>• Part-time employees who are eligible to receive layoff benefits under <a href="#">Policy 1.30, Layoff</a>; however, part-time employees are ineligible for the enhanced retirement benefit under this policy.</li> </ul> <p>Employees placed in a separated-layoff status are not eligible to receive severance benefits.</p> <p>NOTE: Certain other groups of employees such as administrative and professional faculty of state educational institutions also are eligible for the provisions of the Workforce Transaction Act; see Section 2.2-3202 of the Code of Virginia for the full listing of those eligible.</p>
<b>Enhanced retirement</b>	A non-deferrable option for an eligible employee that adds the value of the employee's entire severance benefit (including severance payments and the value of the state's contribution to life and health insurance premiums) to the calculation of the retirement benefit. An employee may choose this option and retire instead of being placed on Leave Without Pay-Layoff.
<b>Involuntary separation</b>	Layoff due to budget reductions, agency reorganization, work force downsizing, or other causes not related to the job performance or conduct of the employee, but shall not include voluntary resignations.
<b>Leave Without Pay-Layoff</b>	<p>Leave status of:</p> <ol style="list-style-type: none"> <li>1. a classified or restricted employee who</li> </ol>

	<ul style="list-style-type: none"> <li>○ was involuntarily separated from his or her position because the position was abolished or full-time status changed; and</li> <li>○ is eligible for certain benefits as outlined in this policy; or</li> </ul> <p>2. 2. a restricted employee who does not have access to Layoff benefits but who is eligible for Severance Benefits.</p> <p>Layoff benefits continue for eligible employees while they are receiving severance benefits. (See <a href="#">Policy 1.30, Layoff.</a>)</p>
<b>Long Term Disability-(LTD)</b>	A benefit received by employees in a disability status who are covered by <a href="#">Policy 4.57, Virginia Sickness and Disability Program (VSDP)</a> . The benefit commences upon the expiration of a 180-calendar day waiting period and provides partial income replacement.
<b>Long Term Disability Working-(LTD-Working)</b>	A benefit received by employees in a disability status who are covered by <a href="#">Policy 4.57, Virginia Sickness and Disability Program (VSDP)</a> . The benefit commences upon the expiration of a 180-calendar day waiting period, and allows employees to continue to work for their agency from short-term disability working status into LTD-working. In LTD-working the employee must work at least 20 hours or more per workweek in their pre-disability position.
<b>Severance payments</b>	<p>Severance benefit that provides payment to an eligible employee based on the employee's weekly salary. These payments are disbursed as salary payments and are continued for a specified period of time, determined by the employee's length of continuous salaried state service.</p> <p>Exception: Restricted employees who are partially funded by grant funds may be eligible to receive severance based on the percentage of non-grant funded salary.</p> <p>Severance payments are considered "Compulsory Benefits" under the VSDP.</p>
<b>Short Term Disability-(STD)</b>	A benefit received by employees in a disability status who are covered by <a href="#">Policy 4.57, Virginia Sickness and Disability Program (VSDP)</a> . The benefit commences upon the expiration of a 7-calendar day waiting period, and provides replacement income for defined periods of time based on an employee's total months of state service.
<b>Transitional Severance Benefits</b>	<p>Benefits provided to eligible employees that are designed to lessen the impact of involuntary separation by providing some cash payments and continuing key benefits for a period of time. Severance benefits include:</p> <ul style="list-style-type: none"> <li>● severance payments,</li> <li>● continued state contribution toward health insurance premiums, and</li> <li>● continued state contribution of life insurance premiums, OR</li> <li>● enhanced retirement option. Employees who are eligible to retire may choose enhanced retirement (see above) in lieu of receiving other severance benefits.</li> </ul>

	EXCEPTION: Eligible part-time classified employees may receive severance payments and the state contribution to life insurance premiums; however, they are not eligible to receive health care benefits or the enhanced retirement option.
<b>VRS Retirement Contribution and Service Credit</b>	VRS service credit, including any prior service that is used in the calculation of a retirement benefit. Employers continue to make VRS contributions for employees in VSDP STD. Employees continue to accrue service during periods of STD and LTD.
<b>AGENCY RESPONSIBILITY</b>	
<p>Before providing severance benefits to an eligible employee, the agency must:</p> <ul style="list-style-type: none"> <li>• ensure that the provisions of the <a href="#">Layoff Policy No. 1.30</a> have been made available to eligible employees;</li> <li>• determine eligibility of restricted and part-time employees to receive Severance Benefits; and</li> <li>• provide information to employees explaining their options and access to appropriate benefits.</li> </ul> <p>The decision to provide severance benefits must not be made on the basis of an employee's race, color, religion, gender, age, national origin, disability, or political affiliation.</p> <p>Agencies are responsible for notifying the VSDP Third Party Administrator of any severance payments received by VSDP participants in LTD.</p>	
<b>BENEFITS FOR ELIGIBLE EMPLOYEES</b>	
<p>Employees on leave without pay-layoff under <a href="#">Policy 1.30, Layoff</a>, and eligible restricted employees not eligible for layoff receive the severance benefits described in this policy including:</p> <ul style="list-style-type: none"> <li>• severance payments,</li> <li>• continued state contribution toward health insurance premiums, and</li> <li>• continued state contribution of life insurance premiums, OR</li> <li>• enhanced retirement</li> </ul> <p>EXCEPTION: Eligible part-time classified employees may receive severance payments and the state contribution to life insurance premiums; however, they are ineligible to receive health insurance premiums and the enhanced retirement option.</p>	
<b>Severance payments</b>	<p>The number of severance payments received by an eligible employee is based on the employee's years of continuous state service.</p> <p>Eligible employees receive severance payments in accordance with their agencies' payroll schedules, normally every two weeks or twice per month.</p> <p>For the purpose of determining the severance payment, partial years of service are rounded up to the next highest year. For example, if an employee has 9 years and 5 months of service at the time of layoff, it will be considered 10 years of service for the severance payment calculation.</p> <p>The maximum severance payment to which an employee may be entitled is 36 weeks of salary.</p>

	<table border="1"> <thead> <tr> <th data-bbox="690 163 971 195">Years of Service</th> <th data-bbox="982 163 1214 195">Amount of Benefit</th> </tr> </thead> <tbody> <tr> <td data-bbox="690 205 863 237">2 years or less</td> <td data-bbox="982 205 1166 237">4 weeks salary*</td> </tr> <tr> <td data-bbox="690 247 971 279">3 years through 9 years</td> <td data-bbox="982 247 1279 342">4 weeks salary plus an additional week for every year over 2</td> </tr> <tr> <td data-bbox="690 352 928 415">10 years through 14 years</td> <td data-bbox="982 352 1295 447">12 weeks salary plus 2 additional weeks for every year over 9</td> </tr> <tr> <td data-bbox="690 457 889 489">15 years or more</td> <td data-bbox="982 457 1312 541">2 weeks salary per year not to exceed 36 weeks of salary</td> </tr> </tbody> </table> <p data-bbox="641 583 1356 793">*For the calculation, the employee's weekly salary is determined by dividing his or her annual salary by 52. The amount to be paid will be calculated according to the guidelines above (see Attachment A for more detailed information). Payments for 9-, 10- and 11-month employee salaries will be calculated based on the same formula for 12-month salaries.</p> <p data-bbox="641 835 1263 888">The chart in Attachment B outlines the relationship of severance to other benefits.</p>	Years of Service	Amount of Benefit	2 years or less	4 weeks salary*	3 years through 9 years	4 weeks salary plus an additional week for every year over 2	10 years through 14 years	12 weeks salary plus 2 additional weeks for every year over 9	15 years or more	2 weeks salary per year not to exceed 36 weeks of salary
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15 years or more	2 weeks salary per year not to exceed 36 weeks of salary										
<p data-bbox="332 903 548 934"><b>Health insurance</b></p>	<p data-bbox="641 903 1360 1140">The employee's agency will continue to pay its portion of the employee's health insurance premium for 12 months from the effective date of leave without pay-layoff. The employee is responsible for paying his or her share of the premium as directed by the agency. An employee who wishes to make allowable changes to coverage should contact his or her Health Benefits Administrator within 31 days of LWOP-Layoff. Part-time employees are not eligible to receive this benefit.</p>										
<p data-bbox="349 1161 532 1192"><b>Life insurance</b></p>	<p data-bbox="641 1161 1344 1245">The employee's agency will continue its contribution toward group life insurance for 12 months from the effective date of leave without pay-layoff.</p>										
<p data-bbox="308 1266 573 1329"><b>Enhanced retirement benefits</b></p>	<p data-bbox="641 1266 1369 1539">In lieu of being placed on leave without pay-layoff and receiving health insurance, life insurance and severance payments, an eligible member of the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS) or the Virginia Law Officers' Retirement System (VaLORS) who is at least age 50 and vested may elect to use the total value of these severance benefits to have the Commonwealth purchase years to be credited for retirement purposes toward either the employee's</p> <ul data-bbox="690 1581 1239 1665" style="list-style-type: none"> <li>• age, or</li> <li>• creditable service, or</li> <li>• divided between age and creditable service.</li> </ul> <p data-bbox="641 1707 1352 1854">Once the retirement credit is added, the member must be at least age 55 with 5 or more years of service or at least 50 with 10 or more years of service (for VaLORS and SPORS the member must be at least age 50 with 5 or more years of service) and retire on an immediate annuity.</p> <p data-bbox="641 1896 1336 1948">EXCEPTION: Any employee eligible for unreduced retirement must have credits added to service and not age.</p>										

	<p>The cost of each year of age or creditable service purchased shall be equal to 15% of the employee's present annual salary. The number of years of age or creditable service to be purchased shall be equal to the amount obtained by dividing the cash value of the severance payments and the life and health insurance benefits for which the employee would be eligible by the cost of each year of age or creditable service.</p> <p>VRS Form 11, Employer Certification of Involuntary Separation Under Workforce Transition Act of 1995, should be used to effect this transaction. (Form is available at the VRS web site. <a href="http://www.state.va.us/vrs/vrs">www.state.va.us/vrs/vrs</a>.)</p> <p><b>Retirement Effective Date</b></p> <p>The enhanced retirement benefit cannot apply to a deferred retirement; therefore, an employee who chooses this option must retire at the beginning of the month following the effective date of the abolishment of his or her position.</p>
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<b>EFFECT OF LEAVES OF ABSENCE ON SEVERANCE</b>	
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<b>Leave with Pay, Family and Medical Leave or Unconditional LWOP (Position Held)</b>	<p>Employees on Family and Medical Leave (see <a href="#">Policy 4.20, Family and Medical Leave</a>) or on Unconditional Leave without pay (position held, see <a href="#">Policy 4.45, Leave Without Pay-Conditional/Unconditional</a>) are considered active employees and shall be treated as if they were in their positions. Eligible employees must receive Layoff and Severance Benefits.</p>
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<b>VSDP</b>	<p>If affected by layoff, an employee who is receiving VSDP benefits also may be eligible to receive severance benefits. Eligibility is determined by provisions of this policy.</p> <p>If an employee who retires under these provisions was receiving VSDP benefits, the VSDP benefits cease at retirement.</p> <p><b>Short-Term Disability</b></p> <p>For eligible employees in STD severance payments begin on the effective date of layoff.</p> <p>Eligible employees who are placed in LWOP-Layoff while in VSDP STD will receive severance and disability benefits concurrently. However, severance payments will offset the VSDP disability payment. The offset is calculated based on the gross STD payment and gross severance payment.</p> <p>When the severance payment period ends, VSDP benefits will resume according to the normal VSDP schedule if the employee still is considered disabled. Time spent on leave without pay-layoff counts towards 180 days of STD.</p> <p>Severance payments are not delayed because an employee is in STD status and the period of severance does not alter the calculation of days on STD toward eligibility for LTD.</p> <p>If an employee on STD is released to return to work full-time,</p>
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full-duty within the year on LWOP-Layoff, VSDP benefits cease, and any severance benefits remaining will continue, according to this policy.

**Retirement Contributions and VRS Service Credit:** Employees receiving severance and STD disability benefits will continue to receive full retirement contributions and service credit while in STD.

#### **LTD - Working**

Eligible employees who are placed in LWOP-Layoff while in VSDP LTD-working status will receive severance and disability payments concurrently. However, severance payments will offset the VSDP disability payment. The offset is calculated based on the gross STD payment and gross severance payment. Agencies are responsible for notifying the VSDP Third Party Administrator of severance payments so that the VSDP benefit will be offset.

Employees are not eligible to receive the health insurance credit while in leave without pay-layoff status because the agency continues to pay its part of the premium. Employees must pay the appropriate portion to continue coverage. If an employee is still disabled and on LTD when layoff expires he will then be eligible to receive the health insurance credit and continue receiving VSDP benefit.

If an employee on LTD-Working is released to return to work full-time, full-duty within the year on LWOP-Layoff, VSDP benefits cease, and any severance benefits remaining will continue according to this policy.

**VRS Service Credit:** Employees receiving severance and LTD-Working disability benefits will continue to receive VRS Service Credit during period of VSDP eligibility and severance.

#### **Long-term Disability**

An employee who moved from STD into LTD status after receiving notification of layoff and beginning to receive severance benefits will continue receiving severance payments for the appropriate amount and time period and will remain on the agency's active health care plan for the 12-month period of LWOP-Layoff. The agency also will continue to provide the employee's life insurance premiums for the LWOP-Layoff period.

Severance payments will offset the VSDP disability payment. Agencies are responsible for reporting severance payments to the VSDP Third Party Administrator.

Employees on LTD are not eligible to receive the health insurance credit while in leave without pay-layoff status because the agency continues to pay its part of the premium. Employees must pay the appropriate portion to continue

	<p>coverage. If an employee is still disabled and on LTD when layoff expires he or she will then be eligible to receive the health insurance credit and continue receiving VSDP benefit.</p> <p>VRS Service Credit: Employees receiving severance and LTD- Disability benefits will continue to receive VRS Service Credit during the period of VSDP eligibility.</p> <p>Employees who are in LTD status when the notification of layoff occurs are not eligible for the rights described in this policy or in Policy 1.30, Layoff.</p>
<b>Workers' Compensation</b>	<p>Eligible employees who are placed in LWOP-Layoff while receiving Workers Compensation benefits will receive severance and Workers' Compensation payments and VSDP benefits if applicable. Workers' Compensation (WC) benefits cannot be offset by severance payments. However, the agency supplement for employees not covered by VSDP will cease and any VSDP benefits received by employees enrolled in VSDP will be offset by severance payments.</p>
<b>Conditional Leave Without Pay</b>	<p>An employee on Conditional Leave Without Pay (position not held) when the notification of layoff occurs is not eligible for Severance Benefits. (See <a href="#">Policy 4.45, Leave Without Pay – Conditional and Unconditional.</a>)</p>
<b>CESSATION OF SEVERANCE BENEFITS</b>	
<p>Severance benefits may end before the payment schedule is completed if an employee declines certain recall opportunities or returns to work.</p>	
<b>Decline of Recall</b>	<p>All severance benefits end when an employee in Leave Without Pay-Layoff declines recall to his or her former Role, where there is no salary reduction or requirement to relocate. Employees are placed in separated-layoff status.</p>
<b>Return to Work</b>	<p>Severance payments will cease when an eligible employee returns to any agency or institution of the Commonwealth through:</p> <ul style="list-style-type: none"> <li>● re-employment into a salaried position</li> <li>● hourly employment, or</li> <li>● contractual agreement as an independent contractor or consultant.</li> </ul> <p>An employee who has used the severance benefit to enhance his or her retirement benefit can return to employment with the state. However,</p> <ul style="list-style-type: none"> <li>● retirement benefits cease when the employee enters a VRS-covered position, and</li> <li>● the enhanced retirement benefit will not apply to any future retirements.</li> </ul>
<b>Severance Payments Reinstated</b>	<p>If the individual enters into a wage or contractual employment relationship during the period when severance payments <u>would</u> have been made, and then ends that employment relationship before the severance payments would have ended, he or she may receive the remaining severance</p>

payments.

However, any payments missed while the individual was engaged in these employment relationships will not be made up.

NOTE: The state will continue its contribution to life and health insurance premiums (except for part-time employees) for the 12 months during leave without pay-layoff. State contributions end when the employee is reemployed into a full-time salaried state position, or resigns before the 12 months ends.

### **UNEMPLOYMENT COMPENSATION**

Decisions regarding eligibility for unemployment compensation are made by the Virginia Employment Commission.

An employee who receives unemployment compensation shall have his or her severance payments reduced by the amount of the unemployment compensation. However, any unemployment compensation deducted from an involuntarily separated employee's severance payments shall be paid in a lump sum to the employee at the time the last severance payment is made.

### **EFFECT ON PAYROLL DEDUCTIONS**

While employees are receiving severance payments certain payroll deductions may not be made:

- Deferred Compensation
- Pre-Tax Buy Back of Prior Service

### **AUTHORITY**

The Department of Human Resource Management issues this policy consistent with Section 2.2-3200–3206 of the Code of Virginia, pursuant to the authority provided in Chapter 12, Title 2.2 of the Code of Virginia.

### **INTERPRETATION**

The Director of the Department of Human Resource Management is responsible for official interpretation of this policy, in accordance with section 2.2-1201 of the Code of Virginia. Questions regarding the application of this policy should be directed to the Department of Human Resource Management's Office of Agency Human Resource Services.

The Department of Human Resource Management reserves the right to revise or eliminate this policy.

### **RELATED POLICIES**

- [Policy 1.30, Layoff](#)
- [Policy 4.20, Family and Medical Leave](#)
- [Policy 4.45, Leave Without Pay – Conditional/Unconditional](#)
- [Policy 4.57, Virginia Sickness and Disability Program](#)
- [Policy 4.60, Workers' Compensation](#)

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**SEVERANCE BENEFITS**

## Department of Human Resource Management Policy 1.57

**Chart of Benefits**

Benefit Type	Effect of Severance Benefit on Other Benefits
Group Life Insurance	<ul style="list-style-type: none"> <li>• Employer continues insurance premium for 12 months for employees receiving severance payments.</li> <li>• Employees on LTD-Working or on LTD that transitioned from STD while on LWOP-Layoff continue to be covered by group life insurance if they receive severance payments.</li> </ul>
Healthcare	<ul style="list-style-type: none"> <li>• Employer paid premium continues for 12 months for full-time employees receiving severance payments.</li> <li>• Full-time employees on LTD-Working or on LTD that transitioned from STD while on LWOP-Layoff and receive severance continue to be covered by the active group health insurance with employer paid premiums.</li> </ul>
Holidays	<ul style="list-style-type: none"> <li>• Not eligible to receive.</li> </ul>
Optional Life Insurance	<ul style="list-style-type: none"> <li>• May convert to an individual policy upon separation.</li> <li>• Employees choosing enhanced retirement may continue a portion of optional life insurance coverage. Go to <a href="http://www.varetire.org">www.varetire.org</a> (Virginia Retirement System) for details.</li> </ul>
Retirement	<ul style="list-style-type: none"> <li>• No retirement service credit is received while on LWOP-Layoff.</li> <li>• Exception: Employees receiving VSDP benefits <u>and</u> severance payments will receive retirement service credit for the period of time on LWOP-Layoff. Retirement contributions continue for employees on STD receiving severance payments.</li> <li>• Pre-tax purchase of prior service ends when severance benefits begin.</li> <li>• Eligible employees may apply the severance benefit to obtain an enhanced retirement benefit.</li> </ul>
Service Credit for Leave and/or VSDP	<ul style="list-style-type: none"> <li>• Time counts towards service for annual, sick, and family and personal leave.</li> </ul>
Unemployment compensation	<ul style="list-style-type: none"> <li>• May receive unemployment compensation, but severance payments are reduced by the amount of any unemployment compensation.</li> <li>• Amount deducted from severance payments shall be paid in a lump sum at the end of severance payments.</li> <li>• Contact the Virginia Employment Commission for details.</li> </ul>
VSDP Short-term Disability and LTD-Working	<ul style="list-style-type: none"> <li>• Severance payments offset VSDP benefits.</li> <li>• At the end of severance if an employee is still disabled, VSDP benefits continue.</li> <li>• Employees who move from STD or LTD-Working to LTD continue to receive severance benefits until the end of LWOP-Layoff.</li> <li>• Agencies must report to the TPA severance payments received by employees on LTD-Working.</li> <li>• Time on LWOP-Layoff counts toward 180-day waiting period for LTD.</li> <li>• Employees in LTD-Working immediately move into LTD when placed on LWOP-Layoff.</li> </ul>
VSDP Long-term Disability	<ul style="list-style-type: none"> <li>• Employees on LTD when layoff occurs are not eligible.</li> </ul>