



## **Workforce Transition Act Severance Benefits Frequently Asked Questions**

### **1. What are transitional severance benefits?**

Severance benefits, or transitional severance benefits, are benefits provided to eligible employees 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:

- Transitional severance payments and
- Continuation of the state's contribution toward health and life insurance premiums, **or**
- Enhanced retirement benefits (for full-time employees who are at least 50 years of age and are vested in VRS, SPORS, or VaLORS).

### **2. Who is eligible to receive transitional severance benefits conferred under Title 2.2, Chapter 32 of the Code of Virginia, the Workforce Transition Act of 1995?**

Any employee whose position is exempt from the Virginia Personnel Act pursuant to subdivision 3 or 20 of section 2.2-2905.

*Note:* Employees in Subdivisions 3 and 20 are officers appointed by the Governor whether General Assembly confirmation is required or not, and Chief Deputies or Confidential Assistants for Policy or Administration in agencies, respectively.

### **3. If the employee accepts another job with the state, do the severance benefits end?**

Yes. If an employee is hired by the original agency or another state agency, even as an hourly employee, independent contractor, or consultant while receiving severance payments, severance payments cease. State contributions to health and life insurance continue for up to a year unless the employee is re-employed into a salaried state position that provides health and life insurance.

If an employee who used the enhanced retirement benefit returns to a position covered by VRS, SPORS, or VaLORS, he or she is no longer retired, and all retirement benefits stop. If this employee works for some time and again retires, the enhanced retirement benefit will not be applied to another retirement.

### **4. Do an employee's severance benefits stop if he or she accepts a job in the private sector?**

No.



**5. How are transitional benefits determined?**

The duration of the severance payments are based upon the employee's years of continuous service. Partial years of service are rounded up to the next highest year. For example, if an employee has 9 years and 5 months of continuous service at the time of layoff, it will be considered 10 years of service for the severance payment calculation.

The maximum severance payment to which an employee may be entitled is 36 weeks of salary:

<u>Years of Service</u>	<u>Amount of Severance Benefit</u>
2 years or less	4 weeks salary
3 – 9 years	4 weeks salary plus an additional week for every year over 2
10 – 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

**6. Will severance payments be equal to the employee's semi-monthly salary?**

By statute, severance payments are based on weekly salary amounts (annual salary divided by 52). For example, an employee with seven years of state service is eligible to receive severance payments equal to nine weeks of salary. The employee will be paid two weeks' salary on the agency's normal payroll schedule (every two weeks or semi-monthly) for about eight weeks; the last severance payment will be one week's salary.

**7. What deductions can be taken from severance payments?**

The employee's contribution to health insurance premiums may be deducted from the severance payments as long as the payments are sufficient. Employees should check with their payroll offices regarding other deductions.

**8. Can an employee defer a portion of the severance payments through the Deferred Compensation Program so he or she can receive the cash match?**

No, deferred compensation may not be deducted from severance payments and cash match does not continue.



**9. Are severance payments subject to Direct Deposit?**

Yes. Employees will receive their severance payments consistent with the method they receive their paychecks.

**10. What is the enhanced retirement option?**

This is an option that allows full-time employees who are at least 50 years old and are vested members of VRS, SPORS, or VaLORS to apply the value of the severance payments and state-paid portions of life and health insurance premiums either to their age, service credit, or a combination of both (except that employees eligible for unreduced retirement may add this value to creditable service only) so that their retirement benefit is enhanced. The agency determines the cash equivalent of the severance benefits, and then divides that amount by 15% of the employee's annual salary to determine the number of years that can be added to the employee's retirement credit or age. Partial years are raised to the next full year.

**11. Can an employee who is 48 years old take the enhanced retirement option and use the credit to add 2 years to his or her age to achieve the threshold of 50 years of age?**

No. The employee must be at least 50 years of age and must have at least 5 years of service credit to select the enhanced retirement option.

**12. Can an employee take the enhanced retirement option and delay his or her retirement for several months or up to a year?**

No. If an employee decides to take the enhanced retirement severance option, he or she must retire immediately.

**13. How long does the state's contribution toward health and life insurance premiums continue?**

The state's contribution toward health and life insurance premiums continues for 12 months from the separation date or until the employee is re-employed in another salaried state position that provides benefits.

**14. What other benefits are affected when an employee receives severance benefits?**

The chart on the next page summarizes the effects of severance benefits on other benefits.



### Chart of Benefits

<b>Benefit Type</b>	<b>Effect Of Severance Benefit On Other Benefits</b>
<b><i>Group Life Insurance</i></b>	<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 continue to be covered by group life insurance if they receive severance payments.</li></ul>
<b><i>Healthcare</i></b>	<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 who are on Long Term Disability-Working or who transitioned from Short Term Disability to Long Term Disability and are receiving severance benefits continue to be covered by the active group health insurance with employer-paid premiums.</li></ul>
<b><i>Holidays</i></b>	<ul style="list-style-type: none"><li>• Severance Benefits are paid based on weekly salary whether or not holidays occur.</li></ul>
<b><i>Optional Life Insurance</i></b>	<ul style="list-style-type: none"><li>• Employees may convert to an individual policy upon separation.</li><li>• Employees choosing enhanced retirement may continue a portion of optional life insurance coverage.</li><li>• Contact Virginia Retirement System (VRS) for details.</li></ul>
<b><i>Retirement Service Credit</i></b>	<ul style="list-style-type: none"><li>• Employees receiving VSDP benefits <u>and</u> severance payments will receive retirement service credit while receiving VSDP benefits. Retirement contributions continue during STD.</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>
<b><i>Service Credit for Leave and/or VSDP</i></b>	<ul style="list-style-type: none"><li>• Time counts towards service for annual, sick, and family and personal leave.</li><li>• Contact VRS for details</li></ul>
<b><i>Unemployment Compensation</i></b>	<ul style="list-style-type: none"><li>• Employees may receive unemployment compensation (UC), but severance payments are reduced by the amount of any UC payments.</li><li>• Amount deducted from severance payments for UC shall be paid in a lump sum at the end of severance payments.</li><li>• Contact the Virginia Employment Commission (VEC) for details.</li></ul>



<b><i>VSDP Short-term Disability(STD) and Long Term Disability (LTD)-Working</i></b>	<ul style="list-style-type: none"><li>• Severance payments offset VSDP benefits.</li><li>• If an employee is still disabled at the end of severance, VSDP benefits continue.</li><li>• Employees who move from STD or LTD-Working to LTD continue to receive severance benefits.</li><li>• Agencies must report severance payments of employees receiving VSDP benefits.</li><li>• Time counts toward 180-day waiting period for LTD.</li><li>• Employees in LTD-Working immediately move into LTD.</li></ul>
<b><i>VSDP Long-term Disability</i></b>	<ul style="list-style-type: none"><li>• Employees on LTD when separation occurs are not eligible.</li></ul>
<b><i>Workers' Compensation</i></b>	<ul style="list-style-type: none"><li>• Eligible employees receive severance and WC payments.</li><li>• Agency supplement for employees not covered by VSDP stops while employee receives severance benefits.</li><li>• VSDP benefits for eligible employees are offset by severance payments.</li></ul>
<b><i>457 Deferred Compensation Plan</i></b>	<ul style="list-style-type: none"><li>• Severance benefit may not be contributed to the plan.</li><li>• Distribution available once you terminate employment.</li></ul>