



## DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

### SEVERANCE BENEFITS

Policy 1.57

#### 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?***

Full-time classified employees and part-time classified employees (who qualify for layoff benefits) may receive severance benefits if their positions are eliminated under Policy 1.30, Layoff, and they have not obtained an alternative position between initial notice of layoff and the layoff effective date. Full-time employees may apply the value of their severance benefit to receive enhanced retirement. Part-time employees may not select the enhanced retirement option.

Restricted employees may be eligible to receive severance benefits. However, employees whose positions are funded by grants as defined in the Catalog of Federal Domestic Assistance can receive severance benefits only if their current funding source(s) agree to pay the cost of the severance benefits. Employees in split-funded positions may be eligible for a portion of the severance benefit. Full-time restricted employees may apply the value of their severance benefit to increase their retirement benefit. Part-time restricted employees may not select the enhanced retirement option.

Employees on Leave with Pay, Unconditional LWOP, FMLA, STD, LTD-Working, Military LWOP, and Workers' Compensation who qualify for layoff benefits may receive severance benefits.

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

This is an option that allows full-time classified 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 these benefits, 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.

**4. *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.

**5. *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.

**6. *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 leave without pay-layoff effective date. However, if an employee declines certain recall options or resigns before the 12-month period is over, these contributions cease. If the employee accepts placement to a salaried position in another agency through the "blue card," that job would provide benefits coverage and the contribution of the original agency would cease.

**7. *Do layoff rights continue while an employee is receiving severance benefits?***

If the employee is eligible for layoff benefits, he or she continues to be entitled to preferential hiring opportunities with the "blue card," and recall to his or her original agency, as outlined in Policy 1.30, Layoff, while receiving severance benefit payments. If the employee chooses the enhanced retirement benefit, he or she is not eligible for preferential hiring, or recall. Some part-time and restricted employees may be eligible for severance benefits but not for layoff benefits. See definitions of Eligible Employee in Policy 1.30, Layoff, and Policy 1.57, Severance Benefits.

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

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 recalled or 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.

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

No.

**10. 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 semimonthly) for about eight weeks. The amount of this employee's last severance payment will be one week's salary.

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

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

**12. 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.

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

Employees should contact their agency payroll office to find out how their agency will disburse severance payments.

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

The attached chart summarizes the effects of severance benefits on other benefits.

## 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 who are on LTD-Working or who transitioned from STD to LTD while on LWOP-Layoff and are receiving severance benefits continue to be covered by the active group health insurance with employer-paid contributions.</li> </ul>
Holidays	<ul style="list-style-type: none"> <li>• Severance Benefits are paid based on weekly salary whether or not holidays occur.</li> </ul>
Optional Life Insurance	<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. See Virginia Retirement System for details.</li> </ul>
Retirement Service Credit	<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 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>
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>• 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 for details.</li> </ul>
VSDP Short-term Disability and LTDWorking	<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 until the end of LWOP-Layoff.</li> <li>• Agencies must report to the Third Party Administrator 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>
Workers' Compensation	<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>