

Policy Guide – Policy 1.57, Severance Benefits

APPLICATION: Full-time, Quasi Full-time, and in certain circumstances Part-time classified and Restricted classified employees.

BACKGROUND: To provide a summary of the Severance Benefits policy.

Summary of Policy 1.57, Severance Benefits

Employees Eligible for Severance Benefits

- Classified full-time and quasi full-time employees;
- Restricted classified employees who meet the criteria as described in Policy 1.30, Layoff;
- Part-time classified employees who meet the criteria as described in Policy 1.30, Layoff;
- Employees on Leave **with** pay;
- Employees on Unconditional LWOP where the position is held;
- Employees on FMLA;
- Employees on Military LWOP;
- Employees on STD and LTD – Working; and
- Employees on Workers' Compensation.

Benefits for Eligible Employees

- Severance payments;
- Continued state contribution toward health insurance premiums;
- Continued state contribution of life insurance premiums; OR
- Enhanced retirement in lieu of severance payments and insurances.

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 the enhanced retirement option. They can receive health care benefits if they pay the full cost of the premium.

Severance Payments

- The number of severance payments received by an eligible employee is based on the employee's years of continuous state service up to a maximum of 36 weeks of salary.
- Partial years of service are rounded up to the next highest year. For example, 9 years and 5 months of service will be rounded to 10 years of service.

<u>Years of Service</u>	<u>Amount of Benefit</u>
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

Enhanced Retirement Benefits

- 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 age, or creditable service, or divided between age and creditable service.

Policy Guide – Policy 1.57, Severance Benefits

- 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 five or more years of service) and retire on an immediate annuity.
 - EXCEPTION: Any employee eligible for unreduced retirement must have credits added to service and not age.
- 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.
- VRS Form 11, Employer Certification of Involuntary Separation under Workforce Transition Act of 1995, should be used for this transaction.
- 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 layoff.

Withdrawing Retirement Account and Layoff

- Employees sometimes consider withdrawing their Virginia Retirement System (VRS) contributions when they are placed on Leave Without Pay – Layoff status.
- Withdrawal of these contributions is considered resignation. The individual who does so has severed all employment-related ties with the Commonwealth. All benefits, including Layoff and Severance benefits, are stopped, and all service credits for retirement are lost.
- Agencies should require the employee to submit a written letter of resignation before they process the VRS Refund Request Form. Such a letter may help an employee realize the meaning of the step he or she is taking, and it will provide valuable documentation for the agency.
- Agency HR Officers should ensure that their payroll and benefits staffs do not certify the VRS Refund Request Form unless authorized by Human Resources.

Unemployment Compensation

- Decisions regarding eligibility for unemployment compensation are made by the Virginia Employment Commission.
- As mandated by the Code of Virginia, an employee who receives unemployment compensation shall have his/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.

Employees on STD or LTD-Working

- For eligible employees in STD or LTD-Working, severance payments begin on the effective date of layoff.
- Eligible employees who are placed in LWOP-Layoff while in STD or LTD-Working will receive severance and disability benefits concurrently.
- The severance payments will offset the VSDP disability payment.
- When the severance payment period ends, VSDP benefits will resume according to the normal VSDP schedule if the employee still is considered disabled.
- Severance payments are not delayed because an employee is in STD or LTD-Working status.

Policy Guide – Policy 1.57, Severance Benefits

- If an employee on STD or 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.

Employees on Conditional LWOP or LTD

- An employee on Conditional Leave Without Pay where their position is not held when the notification of layoff occurs is not eligible for Severance Benefits.
- 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.
- If an employee is still disabled and on LTD when layoff expires he/she will then be eligible to receive the health insurance credit and continue receiving VSDP benefit.
- Employees who are in LTD status when the notification of layoff occurs are not eligible for the rights described in Policy 1.57, Severance Benefits or in Policy 1.30, Layoff.

Employees on Workers' Compensation

- 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 benefits **cannot** be offset by severance payments.
- 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.