



**POLICY 1.57 SEVERANCE BENEFITS  
ADMINISTRATIVE PROCEDURES**

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

**PURPOSE:**

It is the policy of the Commonwealth to provide severance benefits to eligible employees who have been involuntarily separated from state service.

**POLICY SUMMARY:**

This policy provides guidelines for administering severance benefits for employees who have been laid off from state service. It defines the benefits for which they are eligible and clarifies how benefits will be administered to employees in paid and unpaid leaves of absence status at the time of layoff, defines when severance benefits cease, and defines enhanced retirement benefits and eligibility.

**AUTHORITY & INTERPRETATION:**

Title 2.2 of the Code of Virginia

The Director of the Department of Human Resource Management is responsible for official interpretation of this policy, in accordance with §2.2-1201 of the Code of Virginia. 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

**POLICY HISTORY:**

EFFECTIVE DATE	DESCRIPTION
10-01-95	Policy established.
08-10-02	Policy revised.
9-16-20	Policy re-formatted



**PROCEDURES**

***Agency Responsibility***

Agency Decisions	<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 Policy 1.30, Layoff, have been made available to eligible employees;</li><li>• determine eligibility of restricted and part-time employees to receive Severance Benefits;</li><li>• provide information to employees explaining their options and access to appropriate benefits;</li><li>• ensure that decisions to provide severance benefits are not made on the basis of an employee's race; traits historically associated with race including hair texture, hair type, and protective hairstyles such as braids, locks, and twists; sex; color; national origin; religion; sexual orientation; gender identity or expression; age; veteran status; political affiliation; disability; genetic information; and pregnancy, childbirth, or related medical conditions; and</li><li>• notify the VSDP Third Party Administrator of any severance payments received by VSDP participants</li></ul>
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***Benefits for Eligible Employees***

Eligible Employees	<p>Employees on leave without pay-layoff under Policy 1.30, Layoff, and eligible restricted employees and part-time employees 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;</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 not eligible to receive the enhanced retirement option. They can receive health care benefits if they pay the full cost of the premium.</p>

<p>Severance Payments</p>	<ul style="list-style-type: none"> <li>The number of severance payments received by an eligible employee is based on the employee's years of continuous state service.</li> <li>Eligible employees receive severance payments in accordance with their agencies' payroll schedules, normally every two weeks or twice per month.</li> <li>For the purpose of determining the severance payment, partial years of service are rounded up to the next highest year. 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.</li> </ul> <p>The maximum severance payment to which an employee may be entitled is 36 weeks of salary.</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Years of Service</u></th> <th style="text-align: left;"><u>Amount of Benefit</u></th> </tr> </thead> <tbody> <tr> <td>2 years or less</td> <td>4 weeks salary*</td> </tr> <tr> <td>3 years through 9 years</td> <td>4 weeks salary plus an additional week for every year over 2</td> </tr> <tr> <td>10 years through 14 years</td> <td>12 weeks salary plus 2 additional weeks for every year over 9</td> </tr> <tr> <td>15 years or more</td> <td>2 weeks salary per year not to exceed 36 weeks of salary</td> </tr> </tbody> </table> <p>*For the calculation, the employee's weekly salary is determined by dividing his/her annual salary by 52. The amount to be paid will be calculated according to the guidelines above. The Severance Benefits Calculator should be used for estimates. Payments for 9-, 10- and 11-month employee salaries will be calculated based on the same formula for 12-month salaries.</p>	<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
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<p>Health Insurance</p>	<ul style="list-style-type: none"> <li>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.</li> <li>The employee is responsible for paying his/her share of the premium as directed by the agency.</li> </ul>										
	<ul style="list-style-type: none"> <li>An employee who wishes to make allowable changes to coverage should contact his/her Health Benefits Administrator within 31 days of LWOP-Layoff.</li> <li>Part-time employees are not eligible to receive this benefit.</li> </ul>										

Life Insurance	The employee's agency will continue its contribution toward group life insurance for 12 months from the effective date of leave without pay-layoff.
Enhanced Retirement Benefits	<ul style="list-style-type: none"> <li>• 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 <ul style="list-style-type: none"> <li>○ age, or</li> <li>○ creditable service, or</li> <li>○ divided between age and creditable service.</li> </ul> </li> <li>• Once the retirement credit is added, the member must be at least age 55 with five or more years of service or at least 50 with ten 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.</li> </ul> <p>EXCEPTION: Any employee eligible for unreduced retirement must have credits added to service and not age.</p> <ul style="list-style-type: none"> <li>• The cost of each year of age or creditable service purchased shall be equal to 15% of the employee's present annual salary.</li> <li>• 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.</li> </ul> <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 <a href="#">VRS web site.</a>)</p> <p><u>Retirement Effective Date</u> The enhanced retirement benefit cannot apply to a deferred retirement; therefore, an employee who chooses this option</p>
	must retire at the beginning of the month following the effective date of the abolishment of his/her position.
Payroll Deductions	<p>While employees are receiving severance payments certain payroll deductions may not be made for:</p> <ul style="list-style-type: none"> <li>• Deferred Compensation and</li> <li>• Pre-Tax Buy Back of Prior Service.</li> </ul>

Unemployment Compensation	<ul style="list-style-type: none"> <li>• Decisions regarding eligibility for unemployment compensation are made by the Virginia Employment Commission.</li> <li>• 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.</li> </ul>
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***Effects of Leave of Absence on Severance***

Leave with Pay, Family and Medical Leave, or Unconditional LWOP	<ul style="list-style-type: none"> <li>• Employees on Family and Medical Leave (see <a href="#">Policy 4.20, Family and Medical Leave</a>) or on Unconditional Leave without pay where the employee's position is 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.</li> <li>• Eligible employees must receive Layoff and Severance Benefits.</li> </ul>
Virginia Sickness and Disability Program (VSDP)	<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><u>Short-Term Disability (STD)</u></p> <ul style="list-style-type: none"> <li>• For eligible employees in STD, severance payments begin on the effective date of layoff.</li> <li>• Eligible employees who are placed in LWOP-Layoff while in STD will receive severance and disability benefits concurrently.</li> <li>• The severance payments will offset the VSDP disability payment.</li> <li>• The offset is calculated based on the gross STD payment and gross severance payment.</li> </ul>

- 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.
- 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.
- If an employee on STD 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.

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.

Long Term Disability – Working (LTD-W)

- Eligible employees who are placed in LWOP-Layoff while in LTD-working status will receive severance and disability payments concurrently.
- 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/she will then be eligible to receive the health insurance credit and continue receiving the 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.

	<p><u>Long-term Disability (LTD)</u></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The agency also will continue to provide the employee's life insurance premiums for the LWOP-Layoff period.</li> <li>• Severance payments will offset the VSDP disability payment.</li> <li>• Agencies are responsible for reporting severance payments to the VSDP Third Party Administrator.</li> <li>• 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.</li> <li>• Employees must pay the appropriate portion to continue coverage.</li> <li>• 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.</li> </ul> <p><u>VRS Service Credit</u></p> <p>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>
Workers' Compensation	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Workers' Compensation benefits cannot be offset by severance payments.</li> <li>• 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.</li> </ul>
Conditional Leave Without Pay	<p>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. (See Policy 4.45, Leave Without Pay – Conditional and Unconditional.)</p>

**Cessation of Severance Benefits**

Decline Recall	<ul style="list-style-type: none"> <li>• All severance benefits end when an employee in Leave Without Pay-Layoff declines recall to his/her former Role, where there is no salary reduction or requirement to relocate.</li> <li>• Employees are placed in separated-layoff status.</li> </ul>
Return to Work	<ul style="list-style-type: none"> <li>• Severance payments will cease when an eligible employee returns to any agency or institution of the Commonwealth through re-employment into a salaried position, wage employment, or contractual agreement as an independent contractor or consultant.</li> <li>• An employee who has used the severance benefit to enhance his/her retirement benefit can return to employment with the state.</li> <li>• Retirement benefits cease when the employee enters a VRS-covered position, and the enhanced retirement benefit will not apply to any future retirements.</li> </ul>
Severance Payments Reinstated	<ul style="list-style-type: none"> <li>• If the individual enters into a wage or contractual employment relationship with a State agency during the period when severance payments would have been made, and then ends that employment relationship before the severance payments would have ended, he/she may receive the remaining severance payments.</li> <li>• Any payments missed while the individual was engaged in these employment relationships will not be made up.</li> </ul> <p>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.</p>

**GLOSSARY**

- Continuous State Service      Period of salaried state service that for this policy is counted from the employee's most recent date of hire or re-hire into a state salaried position.
- Eligible Employee      The following employees are eligible to receive severance benefits:
- All full-time, quasi full-time, and part-time classified employees who are involuntarily separated as defined in this policy.

- Restricted full-time employee 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.
- Part-time employees are ineligible for the enhanced retirement benefit under this policy.

Employees placed in a separated-layoff status are not eligible to receive severance benefits.

NOTE: Certain other groups of employees such as administrative and professional faculty of state educational institutions also may be 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.

Enhanced Retirement

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 eligible employee may choose this option and retire instead of being placed on Leave Without Pay-Layoff.

Involuntary Separation

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.

Leave Without Pay - Layoff

Leave status of:

- an eligible classified or restricted employee who was involuntarily separated from his/her position because the position was abolished or full-time status changed;
- is eligible for certain benefits as outlined in this policy; and
- layoff benefits continue for eligible employees while they are in LWOP-Layoff status.

Leave Without Pay – Severance Only

Leave status of a restricted employee who is not eligible for layoff options (no preferential hiring or re-call rights) but who may be eligible for severance benefits if the funding source agrees to pay for the severance benefits.

Long Term Disability (LTD)

Please refer to Policy 4.57, Virginia Sickness and Disability Program for the most current definition.

Long Term Disability – Working (LTD-W)

Please refer to Policy 4.57, Virginia Sickness and Disability Program for the most current definition.

Severance Benefits	<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,</li> <li>• continued state contribution of life insurance premiums, OR</li> <li>• enhanced retirement option.</li> </ul> <p>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.</p>
Severance Payments	<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>
Short Term Disability (STD)	<p>Refer to Policy 4.57, Virginia Sickness and Disability Program for the most current definition.</p>
VRS Retirement Contribution and Service Credit	<p>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-W.</p>