

Severance Salary Continuation

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Policy

G. S.126-8.5 provides for severance salary continuation or a discontinued service retirement allowance when the Director of the Budget determines that the closing of a State institution or a reduction in force (RIF) will accomplish economies in the State Budget, provided reemployment is not available. "Economies in the State Budget" means economies resulting from elimination of a job and its responsibilities or from a lack of funds to support the job.

This policy provides that severance salary continuation shall be paid to eligible employees in accordance with the provisions outlined below. Severance pay is subject to available funding and approval by the North Carolina Office of State Budget and Management.

Covered Employees

An employee who has been reduced in force and who does not obtain employment to another position in State government or any other position that is funded in part or in whole by the State by the effective date of the separation shall be eligible for severance salary continuation as follows:

1. full-time and part-time (half time or more) permanent employees;
2. time-limited employees with 36 or more months of continuous State service; and
3. employees in "exempt policymaking" or "exempt managerial" positions as defined in G.S. 126-5(b) are eligible for severance salary continuation if the position is abolished as a result of a reduction in force.

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Probationary employees, time-limited employees with less than 36 months of continuous State service, and temporary employees are not eligible for severance salary continuation.

Employees on Leave

An employee on leave with pay or leave without pay shall be separated on the effective date of the reduction in force, the same as other employees, and shall be eligible to receive severance salary continuation on that date, if the employee meets the eligibility requirements for severance salary continuation as stated in this policy. This includes employees who are on leave without pay and are receiving workers' compensation or short-term disability payments.

Reemployment

To A Permanent or Time-Limited Position - An employee who is reemployed in any permanent or time-limited position with the State, or any other position that is funded in part or in whole by the State, while receiving severance salary continuation, shall not be eligible for severance salary continuation effective on the date of reemployment. The reemploying agency or university shall be responsible for determining if the RIF employee is receiving severance salary continuation payments and shall notify the separating agency or university of the date severance salary continuation should be terminated.

To A Temporary Position - An employee who is reemployed in a temporary position with the State, while receiving severance salary continuation, does not remain eligible to receive severance salary continuation.

To a Contractual Services Position - Any employee separated from State government and paid severance wages shall not be employed under a contractual arrangement by any State agency, other than the constituent institutions of the University of North Carolina and the constituent institutions of the North Carolina Community College System, until 12 months have elapsed since the separation.

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Reemployment may impact eligibility for Reduction-In-Force (RIF) priority. Please see the Reduction-In-Force Priority Policy located in Section 2 of the State Human Resources Manual for further information related to RIF priority.

Effect of Declining Employment Offers

An eligible employee who is offered employment with the State and declines to accept, either prior to or following separation, is no longer eligible to receive or to continue to receive severance salary continuation effective the date the offer is declined.

The agency or university offering reemployment shall be responsible for determining if the RIF employee is receiving severance salary continuation payments and shall notify the separating agency or university of the employee's decision to decline the offer and the date severance salary continuation should be terminated.

Declining employment may impact eligibility for Reduction in Force (RIF) priority reemployment. See the RIF Priority policy located in Section 2 of the State Human Resources Manual for information related to RIF priority.

Effect of Retirement

An employee who is separated or who has received written notification of separation due to reduction in force and who applies for or begins receiving retirement benefits based on early retirement, service retirement, long term disability or a discontinued service retirement as provided by G.S. 126-8.5 is shall not be eligible for severance salary continuation. An employee may elect to delay retirement and receive severance salary continuation. An employee who is reemployed in a permanent position from any retired status with the State and who is subsequently terminated as a result of reduction in force shall be eligible for severance salary continuation if the employee meets the eligibility requirements for severance salary continuation as stated in this policy.

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Amount of Severance Salary Continuation Payment

The salary used to determine severance wages is the last annual salary unless the employee was promoted within the previous 12 months. If the employee was promoted within the last 12 months, the salary used to calculate severance salary continuation payment is the annual salary prior to the promotion plus any across-the-board legislative salary increases.

Severance salary continuation shall be based on total State service supplemented by an age adjustment factor as follows:

Amount of Severance Salary Continuation

Years of Service	Payment
Less than 1 year*	2 weeks
1 but less than 2 years*	1 month
2 but less than 5 years	1 month
5 but less than 10 years	2 months
10 but less than 20 years	3 months
20 or more years	4 months

*The only covered employees that would be eligible for severance with less than 12 months of service are employees in “exempt policymaking” or “exempt managerial” positions as defined in G.S. 126-5(b), if the position is abolished as a result of a reduction in force.

Age Adjustment Factor

An employee qualifies for the age adjustment factor at 40 years of age. To compute the amount of the adjustment, 2.5% of the annual base salary shall be added for each full year over 39 years of age; however, the total age adjustment factor payment is limited by the service payment and cannot exceed the total service payment.

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Example: Age 59; Salary - \$24,000/year; 20 years' service

Factor	Computation	Amount of Severance Salary Continuation Payment
Service	\$2,000/month for 4 months = \$8,000	\$8,000
Age adjustment	\$24,000 x .025 x (59-39) = \$12,000 Age adjustment factor cannot exceed the service factor so the age factor is limited to \$8000.	\$8,000
TOTAL		\$16,000

Method of Payment

Severance salary continuation shall be paid on a pay period basis and shall not be subject to employee or employer retirement contributions, and as a result, will not be included in computing average final compensation for retirement purposes.

The amount to be paid to part-time employees shall be calculated using total State service times the prorated monthly pay.

Total State Service Not Credited

Any period covered by severance salary continuation shall not be credited as a period of State service.

Death of Employee

If an employee dies while receiving severance salary continuation, the balance of severance payment shall be made to the deceased employee's death benefit beneficiary as designated with the Teachers' and State Employees' Retirement System in a lump sum payment.

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Unemployment Insurance

An employee receiving severance salary continuation is not entitled to receive unemployment compensation.

Funding

Funds for severance salary continuation will be provided as directed by the Office of State Budget and Management.

Documentation

For each eligible employee receiving severance salary continuation, agencies shall provide the severance calculation, severance payment amount, and position abolishment information on the separation Personnel Change Request (PCR). Universities shall submit the University Reduction in Force/Severance Pay Request Form, the severance calculation, and the Human Resources Data Mart (HRDM) Employee View Form to OSHR for approval.

Discontinued Service Retirement Allowance

G.S. 126-8.5 provides for a discontinued service retirement allowance. Refer to that section of the State Human Resources Act for details.
