

## 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 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.

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### Covered Employees

An employee who has been reduced in force and who does not obtain another permanent or time-limited permanent job in State government or any other permanent 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:

- Full-time and part-time (half time or more) permanent employees are eligible.
- Trainee employees with 6 months of service or more are eligible. Also eligible are trainees who had a permanent appointment prior to entering a trainee appointment.
- Trainee employees with less than 6 months of service, probationary, time-limited, temporary and intermittent employees are not eligible. (If a time-limited appointment

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extends beyond three years, the appointment is made permanent and the employee becomes eligible for severance.)

Advisory Note: This applies to employees in policy-making and managerial exempt positions whose positions are reduced in force.

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### 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. *This includes employees who are on leave without pay and are receiving workers' compensation or short-term disability payments.*

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### Reemployment

**To A Permanent Position** - An employee who is reemployed in any permanent position with the State, or any other permanent position that is funded in part or in whole by the State, while receiving severance salary continuation, will no longer be eligible for such pay effective on the date of reemployment. The reemploying agency shall be responsible for determining if the former employee is receiving severance salary continuation payments.

**To A Temporary Position** - An employee who is reemployed in a temporary position with the State, while receiving severance salary continuation, may 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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### Effect of Declining Employment Offers

**To a Lower Level Position** - An eligible employee, scheduled to be separated through reduction in force, may decline a lower level position with regard to salary grade (or salary

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grade equivalency), salary rate or appointment type and retain eligibility for severance salary continuation.

**To the Same or Higher Level Position** - An eligible employee who is offered and declines to accept, either prior to or following separation, a lateral transfer or promotion within thirty-five miles of the original work station is no longer eligible to receive or to continue to receive severance salary continuation.

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### Effect of Retirement

An employee who is separated or scheduled to be separated due to reduction in force and who applies for 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 not 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.

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### Amount of 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 pay 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 Salary Continuation

Years of Service	Payment
Less than 1 year	2 weeks
1 but less than 5 years	1 month

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5 but less than 10 years	2 months
10 but less than 20 years	3 months
20 or more years	4 months

**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 will 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.

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

Factor	Computation	Amount of Severance Pay
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
<b>TOTAL</b>		<b>\$16,000</b>

**Method of Payment**

Severance salary continuation will be paid on a pay period basis and is not 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 will 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.

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### Death of Employee

If an employee dies while receiving severance salary continuation, the balance of such payment will 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.

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### Funding

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

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### Documentation

For each employee who receives severance salary continuation, agencies shall show on the separation form the calculation and amount of such payment.

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### 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.

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