

Severance Salary Continuation Policy

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§ 1. 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.

§ 2. 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:

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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 in the same time-limited position; 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.

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

§ 3. 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.

§ 4. Effects of Certain Situations on Eligibility

§ 4.1. 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.

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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.

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.

§ 4.2. **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.

§ 4.3. **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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§ 5. 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.

Excluded from any calculation are any benefits such as, but not limited to, overtime pay, shift pay, holiday premium, or longevity pay. Severance salary continuation shall be based on total State service supplemented by an age adjustment factor as follows:

§ 5.1. Amount of Severance Salary Continuation

Years of Service	Payment
Less than 1 year*	2 weeks
1 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

*Because probationary employees are not eligible for severance salary continuation, 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.

§ 5.2. 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. (See example on next page.)

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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 \$8,000.	\$8,000
TOTAL		\$16,000

§ 6. 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.

§ 7. Total State Service Not Credited

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

§ 8. Death of Employee

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

§ 9. Unemployment Insurance

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

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§ 10. Funding

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

§ 11. 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.

§ 12. 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.

§ 13. Sources of Authority

- N.C.G.S. 126-8.5 provides, "Severance wages shall be paid according to the policies adopted by the State Human Resources Commission." This policy is issued under the authority of N.C.G.S. 126-8.5 and N.C.G.S. 126-4, the statute on policies issued by the Commission.
 - This policy is consistent with the administrative rules adopted by the Commission on this topic, 25 N.C.A.C. .2701 to .2704.
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§ 14. History of This Policy

Date	Version
July 1, 1979	Policy on severance pay – closing of a State institution adopted within policies on separations. Received two weeks pay. (Chapter 143)
October 1, 1985	New policy specific to this topic.
December 1, 1985	Age adjustment factor revised to limit payment not to exceed 21 years of service.
May 1, 1987	Added provision that a permanent employee scheduled for reduction in force may accept a temporary State position and remain eligible to

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	receive severance salary continuation. Also, a reduction in force employee may decline a lower level position and retain eligibility for severance salary continuation. Age adjustment factor clarified - 39 years of age instead of 40 (Adm. Rules Comm. voiced a technical objection; therefore, effective date was delayed from 2-1-87 to 5-1-87.)
November 1, 1990	Leave without pay option deleted.
March 1, 1991	Extend eligibility for priority reemployment and severance salary continuation to employees who have completed six months or more of a trainee appointment. Also, to employees who attained permanent status prior to entering a trainee appointment. Clarifies that eligibility criteria include no foreseeable opportunity for reemployment at the time of separation.
September 1, 1991	Deleted reference to Statute N.C.G.S. § 143-27.2 to satisfy ARRC.
October 1, 1995	<p>Added reference to N.C.G.S. § 143-27.2 that provides that the Director of the Budget is responsible for determining that a severance salary continuation or a discontinued service retirement allowance, accomplishes economies in the State Budget.</p> <p>Clarified appointment type eligibility and non-eligibility.</p> <p>Added that an employee receiving worker's compensation or short-term disability payments is eligible for severance salary continuation.</p> <p>Added that 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.</p> <p>Added that an employee with a permanent position, separated by reduction in force may accept a State contractual service arrangement and remain eligible to receive severance salary continuation.</p> <p>Clarified that an employee who is reemployed in any 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 the date of reemployment.</p> <p>Clarified that an employee who is separated and receiving retirement benefits from early retirement, service retirement, long term disability or discontinued service retirement as provided by N.C.G.S. § 143-27.2 is not eligible for severance salary continuation.</p> <p>Deleted the provision that an employee who has received a full</p>

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	<p>severance salary continuation, who is reemployed later and reduced in force again, would only receive the difference between previous payments and the current eligibility.</p> <p>Deleted the provision that an employee reemployed 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 without credit for total State service prior to retirement status. Since this could be discriminatory, the provision is deleted and the employee will be eligible for severance based on total State service.</p>
July 1, 1998	<p>N.C.G.S. § 143-27.2 was amended to: 1) Add provision that any employee separated and paid severance wages shall not be employed under a contractual arrangement by any State agency, other than the university system and community college system, until 12 months have elapsed since the separation. 2) Provide that severance wages will be calculated on the last annual salary unless the employee was promoted within the previous 12 months. If promoted, the calculation is on the salary prior to the promotion plus any across-the-board legislative salary increases.</p> <p>In addition, the provision for Discontinued Service Retirement Allowance has been added for informational purposes.</p>
July 1, 2008	<p>Corrects statute citation as a result of the move of the severance provision from N.C.G.S. § 143 to 126.</p>
March 1, 2009	<p>Revised to conform to rules that were approved clarifying some of the severance eligibility provisions.</p>
October 1, 2014	<p>Removed of the term “permanent” when referencing “time-limited” positions.</p> <p>Changed trainee eligibility period from 6 months to 24 months to align with the legal definition of probationary period.</p> <p>Clarified that a trainee who had a permanent appointment prior to the trainee appointment cannot have a break in service in order to continue permanent status as a trainee.</p> <p>Clarified in the “reemployment” section that reemployment in a timelimited position is an event that makes an employee ineligible for continued severance pay. Also reemployment in a temporary position makes an employee ineligible for continued severance pay.</p> <p>Amended the “effects of declining employment offers” section to align with the Reduction in Force policy and law.</p> <p>The “documentation” section is being updated to match the current</p>

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	documentation and approval process.
June 1, 2015	<p>A statement was added to the “policy” section to clarify that severance pay is subject to available funding and must be approved by the Office of State Budget and Management.</p> <p>In the “covered employees” section, removed reference to permanent or timelimited position when referring to available employment. N.C.G.S. § 126-8.5(a) does not specific the type of position available for reemployment so the policy needs to reflect any available position for reemployment. This now matches the provisions outlined in the “reemployment” section.</p> <p>Corrected the “effect of declining employment offers” section to comply with provisions of N.C.G.S. §126-8.5(a). N.C.G.S. § 126-8.5 states that severance is only paid to an employee when reemployment is not available and in the “reemployment” section of the policy it is stated that reemployment in any position (permanent, part-time, temporary) stops severance eligibility. As a result, an employee cannot decline an offer for any position regardless of the salary grade and salary rate and still be eligible for severance. Also added a requirement for the agency or university offering reemployment to notify the separating agency of the declined offer so severance is terminated.</p> <p>Removed information about RIF priority reemployment rights from the policy since there is a separate policy that covers priority reemployment rights. Duplication of the RIF priority policy is not necessary.</p> <p>Added clarification to the “amount of severance” chart to reflect that the only covered employees eligible for severance with less than 24 months of service are employees in “exempt policymaking” and “exempt managerial” positions.</p>
September 7, 2017	Policy revised to delete all reference to trainee appointments, per appointment types and career status.
October 13, 2022	Modified policy to make clear that eligibility period for time-limited employees must be continuous employment in the same time-limited position. For easy reference, added language from statute (G.S. § 126-8.5) indicating that longevity pay and other benefits are not included in the calculation. Updated table in policy to reflect current 12-month probationary period.