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**Subject: Severance Benefits Policy for University Employees**

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## **1. Purpose**

The purpose of this policy is to provide severance benefits for University employees in accordance with the terms of §23-38.120 of the Restructured Higher Education Financial and Administrative Operations Act (Chapter 4.10 of Title 23 of the Code of Virginia) and the Management Agreement. This policy describes the severance benefits provided to eligible Classified employees under the Commonwealth’s Workforce Transition Act (§§2.2-3200 et seq.) and provides comparable severance benefits for eligible Faculty and University Staff. The establishment of this Severance Policy is intended to provide continuity of benefits for eligible Faculty and University Staff, and may be replaced with one or more severance policies as new Human Resources Systems are developed.

## **2. Policy**

In accordance with the terms of the Restructured Higher Education Financial and Administrative Operations Act (The Act), faculty employees regardless of the date of hire and non-faculty salaried employees (University Staff) hired on or after July 1, 2006 are no longer covered by the Workforce Transition Act (WTA). Classified employees, however, remain covered by the Virginia Personnel Act and the Workforce Transition Act. The Restructuring Act and the Management Agreement specify that the University shall have one or more layoff and severance policies for non-Classified salaried employees who lose their jobs because of budget reductions or reorganization. The terms and conditions of these severance policies shall be determined by the Board of Visitors. The Act further specifies that the University and the Board of the Virginia Retirement System may negotiate a formula according to which cash severance benefits may be converted to years of age or creditable service for eligible employees who participate in the Virginia Retirement System, which will be executed through a Memorandum of Understanding.

## **2.1 Transitional Severance Benefits for Faculty and University Staff**

### **2.1.1 Eligibility**

Transitional severance benefits (severance benefits) shall be provided to eligible salaried University Staff and salaried teaching and research and administrative/professional faculty employees on regular appointments, without regard to hire date, who are involuntarily separated due to budget reductions, agency reorganizations, or work force downsizings, for reasons unrelated to performance or conduct. Faculty or University staff hired on restricted appointments funded from sponsored contracts or grants, or term appointments with a specified ending date, regardless of funding source, are not eligible for severance benefits. Non-reappointments and voluntary resignations for any reason shall not be deemed "Involuntary separation" for purposes of this policy.

### **2.1.2 Computation of Benefit**

On the date of involuntary separation, an eligible employee with

1. two years of service or less shall be entitled to a benefit equal to four weeks of salary;
2. three years through and including nine years of consecutive service shall be entitled to four weeks of salary plus one additional week of salary for every year of service over two years;
3. ten years through and including fourteen years of consecutive service shall be entitled to twelve weeks of salary plus two additional weeks of salary for every year of service over nine years;
4. fifteen years or more of consecutive service shall be entitled to receive a transitional severance benefit equal to two weeks of salary for every year of service, not to exceed thirty-six weeks of salary.

### **2.1.3 Payment of Benefit**

Severance benefits shall be paid in the same manner as normal salary. The right of any employee who receives severance benefits to also receive unemployment compensation shall not be abridged, denied, or modified; however employees entitled to unemployment compensation shall have severance benefits offset by the amount of such compensation. All severance payments shall be subject to applicable federal and state tax laws.

### **2.1.4 Insurance**

For twelve months after the date of layoff, the employee shall continue to be covered under the Health Insurance Plan, and the group life insurance plan administered by VRS. The University shall continue to pay its share of the premiums for the twelve month period commencing with the initial layoff date.

### **2.1.5 Termination of Severance Payments**

Severance payments shall cease if a terminated employee is reemployed in any capacity or hired as an independent contractor by the University or other state agency.

### **2.1.6 Retirement Program**

In lieu of severance payments, eligible employees who on the date of involuntary separation are vested members of the VRS or VALORS, and are at least fifty years old may elect to have the Commonwealth of Virginia Retirement System purchase years to be credited to either age or creditable service or a combination of age and creditable service in accordance with the formulas established by the Virginia Retirement System under the Workforce Transition Act and the Memorandum of Understanding between the Virginia Retirement System and the University.

### **2.1.7 Alternative Severance Option**

With the approval of this Severance Policy, the University's Alternative Severance Option Program, approved by the Board of Visitors on March 18, 2002, may continue to be available as a strategy for managing budget reductions and reorganizations in accordance with the original plan.

## 2.2 Severance Benefits for Classified Staff

The [State Severance Policy 1.57](#) provides life and health insurance, and severance payments based on years of service, to Classified employees who are involuntarily separated from their positions under the State Layoff Policy 1.30. Restricted employees whose positions are contingent upon project grants as defined by the Catalog of Federal Domestic Assistance are not eligible to receive severance benefits unless the funding source has agreed to assume all financial responsibility in its written contract with the university.

## 2.3 Application of the Layoff Policy for Staff

State and University Layoff Policies provide guidance on the identification of positions to be abolished, selection of employees to be laid off, placement and preferential employment provisions, and eligibility for layoff benefits. Classified Staff are covered under the State's Layoff Policy and the University Layoff Policy for Staff. University Staff are covered by the University's Layoff Policy for Staff. Severance benefits are not provided for eligible employees until the provisions of the Layoff Policy have been followed.

## 2.4 Cessation of Severance Benefits

Severance benefits may end before the payment schedule is completed in the following situations:

- All severance benefits end when the Classified or University Staff employee in leave without pay-layoff declines a recall to his or her former role title, where there is no salary reduction or requirement to relocate. In such cases, the employee will be placed in a separated-layoff status.
- Severance benefits end when the employee returns to any agency or institution of the Commonwealth of Virginia through re-employment in a salaried position, hourly/wage employment, or contractual agreement as an independent contractor or consultant. If the employee then ends that employment relationship before the severance payments would have ended, he or she may receive the remaining severance payments. However, any missed payments will not be made up.

An employee who has used the severance benefit to enhance his or her retirement benefit can return to employment with the state. However, retirement benefits cease when the employee enters a retirement-eligible position, and the enhanced retirement benefit will not apply to any future retirements.

## 3. Procedures

Policies for the abolishment of faculty positions due to budget reductions or reorganizations are provided in the Faculty Handbook. University Policy 4240, Layoff Policy for Staff, describes the procedures for abolishment of Classified and University Staff positions due to budget reductions or reorganizations. Human Resources administers the Severance Policy for university employees by advising departments and employees, determining employees' eligibility for severance benefits, calculating the costs, and establishing severance payments and continuity of other benefits.

## 4. Definitions

**Catalog of Federal Domestic Assistance.:** defines project grants to include fellowships, scholarships, research grants, trainee grants, traineeships, experimental and demonstration grants, survey grants, construction grants, and unsolicited contractual agreements.

**Classified Positions:** a category of full or part-time state positions that are covered by the Virginia Personnel Act.

**Consecutive Service:** period of continuous state service that for this policy is counted from the employee's last date of hire or re-hire into a state or university salaried position.

**Transitional Severance Benefits:** 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: severance payments, continued state contribution toward health insurance premiums, and continued state contribution of life insurance premiums, OR enhanced retirement (see 2.1.6) in lieu of receiving other severance benefits.

**University Staff:** salaried non-faculty employees hired on or after July 1, 2006, who are covered by University Human Resources policies and benefits. When the university human resources system is established, "University Staff" will also include those Classified employees who chose to convert to University Staff.

## **5. References**

Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10 of Title 23 of the Code of Virginia

State Layoff Policy 1.30

[State Severance Policy 1.57](#)

Virginia Personnel Act, Chapter 29 of Title 2.2 of the Code of Virginia

Workforce Transition Act (§§2.2-3200)

Policy 4240: [Guidelines for Implementing the State Layoff Policy](http://www.policies.vt.edu/4240.pdf) (<http://www.policies.vt.edu/4240.pdf>)

Policy 4010: [Human Resources Policies Governing University Staff](http://www.policies.vt.edu/4010.pdf) (<http://www.policies.vt.edu/4010.pdf>)

## **6. Approval and Revisions**

Provides severance benefits for eligible Faculty and University Staff in accordance with resolution approved by the Virginia Tech Board of Visitors June 12, 2006.

Approved September 11, 2006 by Vice President for Business Affairs, Kurt J. Krause.