Severance Benefits Policy for Salaried University Employees

No. 4245

Policy Effective Date:
6/12/2006

Last Revision Date:
5/20/2025

Policy Owner:
Bryan Garey

Policy Author:
(Contact Person)
Ellen Banks

Affected Parties:
Faculty
Staff

1.0 Purpose
2.0 Policy
3.0 Procedures
4.0 Definitions
5.0 References
6.0 Approval and Revisions

1.0 Purpose

The purpose of this policy is to provide severance benefits for university employees in accordance with the terms of the Restructured Higher Education Financial and Administrative Operations Act and the Management Agreement. This policy describes the severance benefits provided to eligible classified employees under the Commonwealth's Workforce Transition Act of 1995 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 as new Human Resources severance policies are developed.

2.0 Policy

In accordance with the terms of the Restructured Higher Education Financial and Administrative Operations Act (The Restructuring 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 of 1995 (WTA). Classified employees, however, remain covered by the Virginia Personnel Act and the WTA. The Restructuring Act and the Management Agreement, as defined below, 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 Restructuring 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 and/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 workforce 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 Severance Benefits

On the date of involuntary separation, an eligible employee with:

1. two years of consecutive 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; or
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.

For classified staff, the final computation of an eligible employee's severance benefits will be determined in accordance with the formulas established by the Virginia Department of Human Resource Management. The university has decided to use the same calculations for university staff and faculty.

2.1.3 Payment of Benefit

Severance benefits may be paid in the same manner as normal salary.

In lieu of payment in the same manner as normal salary, severance benefits may be provided as lump sum payments. Normally, the payments will be made over two fiscal years, but exceptions to extend the payments to a maximum of five years may be approved by senior management at the request of the employee.

The right of any employee who receives severance benefits to also receive unemployment compensation shall not be abridged, denied, or modified. 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, employees who receive ***severance payments in the same manner as normal salary*** shall continue to be covered under the employer 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, and the employee will be responsible for the employee's share of the health insurance premium.

For employees who receive ***severance benefits through lump sum payments***, the value of twelve months of the employer's portion of the health and life insurance premiums at the individual's premium rate in effect at that time will be included in the total amount of the lump sum severance payment. The employee will be terminated from the employer group health and life insurance plans.

Employees who immediately retire may elect to participate in the Commonwealth of Virginia retiree health insurance plan on the effective date of their retirement. ORP and VRS participants are eligible to maintain the Commonwealth of Virginia retiree health insurance program as long as they enroll within 31 days of retirement from Virginia Tech.

2.1.5 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 eligible for retirement (as provided on the VRS website), 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 Department

of Human Resource Management and the Virginia Retirement System under the Workforce Transition Act and the Memorandum of Understanding between the Virginia Retirement System and the university.

2.1.6 Employment

Faculty and university staff who receive their severance benefits through lump sum payments may be reemployed by the university under the following conditions:

a. Faculty or university staff retirees may be reemployed by their home (or other) units on a part-time wage basis.

b. Faculty or university staff members who have been involuntarily separated may accept wage or salaried employment. However, acceptance of a full-time salaried position with Virginia Tech or other state agency will result in cancellation of any severance payment(s) not yet made.

Individuals who retired from the university are governed by certain VRS regulations regarding reemployment following retirement, which includes the requirement for a break in service of one complete calendar month.

An employee who has used the severance benefit to enhance the employee's VRS 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.

2.1.7 Cessation of Severance Benefits

Severance benefits received as normal salary will end before the payment schedule is completed in the following situations:

- If the university staff employee in leave without pay-layoff declines a recall to a salaried position in their former role title or in the same pay band in their former career group, where there is no salary reduction or requirement to relocate, then the employee will be placed in a separated-layoff status.
- If the faculty or university staff 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, severance benefits will end. If the employee subsequently terminates that employment relationship before the severance payments would have ended, the employee may receive the remaining severance payments. However, any missed payments will not be made up.

Acceptance of a full-time salaried position with Virginia Tech or other state agency will result in cancellation of any ***lump sum severance payment(s)*** not yet made.

2.2 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 Virginia Department of Human Resource Management Layoff Policy 1.30 and University Policy 4240, Layoff Policy for Staff. University staff are covered by University Policy 4240, Layoff Policy for Staff. Severance benefits are not provided for eligible employees until the provisions of the applicable layoff policy have been followed.

2.3 Severance Benefits for Classified Staff

The Virginia Department of Human Resource Management (DHRM) 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 DHRM 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.

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

- All severance benefits end when the classified staff employee in leave without pay-layoff declines a recall to their 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, the employee 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 their VRS 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.

3.0 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. The Division of Human Resources administers this 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.

4.0 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.

Management Agreement: the management agreement, executed November 15, 2005, between the Commonwealth of Virginia and Virginia Polytechnic Institute and State University as provided in subsection D of § 23-38.88 and Subchapter 3 of the Restructuring Act.

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 Section 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. "University staff" also includes those classified employees who chose to convert to university staff.

5.0 References

Restructured Higher Education Financial and Administrative Operations Act, Chapter 10 of Title 23.1 of the Code of Virginia
https://law.lis.virginia.gov/vacode/title23.1/chapter10/

Virginia Department of Human Resource Management, Layoff Policy 1.30
https://www.dhrm.virginia.gov/docs/default-source/hrpolicy/pol1_30layoff93b030ba1ca24b1f8dfbb249cb901c5a.pdf?sfvrsn=522ab14a_10

Virginia Department of Human Resource Management, Severance Policy 1.57
https://www.dhrm.virginia.gov/docs/default-source/hrpolicy/1-57-severance-revised-(4)0468e39bb7484bc4921b8d0d92a49861.pdf?sfvrsn=61852fa_0

Virginia Personnel Act, Chapter 29 of Title 2.2 of the Code of Virginia
https://law.lis.virginia.gov/vacodepopularnames/virginia-personnel-act/

Workforce Transition Act of 1995 (§§2.2-3200)
https://law.lis.virginia.gov/vacode/title2.2/chapter32/

University Policy 4240, Layoff Policy for Staff
https://www.policies.vt.edu/4240.pdf

University Policy 4010, Policies Governing University Staff
https://www.policies.vt.edu/4010.pdf

6.0 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.

- Revision 1
  Provides an additional option for the payment of severance benefits for Faculty and University Staff and to provide more flexible employment practices following separation from the University in accordance with resolution approved by the Virginia Tech Board of Visitors on November 9, 2009.

  Approved November 9, 2009 by the Virginia Tech Board of Visitors.

- Revision 2
  Technical corrections to update references and to grammar to match university style guide.
  Approved January 23, 2017 by Vice President for Administration, Sherwood G. Wilson.

- Revision 3
  Technical updates to language of the policy to provide clarity, to provide consistency of terms, and to department names, policy names, and links to statutes and websites. Added language to Section 2.1.2 to clarify the computation of an employee's severance benefits. Clarified language in Section 2.1.4 regarding eligibility to maintain state health insurance for retirees. Added definition for "Management Agreement" in Section 4.0.
  Approved May 20, 2025 by Vice President for Human Resources, Bryan Garey.