

# SEVERANCE PAY

## Q&A's

### Q1. What is severance pay?

Severance pay is compensation provided to eligible employees who are involuntarily separated for reasons other than removal for cause. It includes a basic severance allowance and, where applicable, an age adjustment allowance.

### Q2. Who is eligible to receive severance pay?

To be eligible for severance pay, an employee must (1) have served at least 12 continuous months (which can include non-pay time) in a qualifying appointment, (2) have a full-time or part-time (which includes seasonal, but not intermittent) work schedule, (3) not be eligible for an immediate annuity as a Federal employee or as a retired member of the armed forces, (4) not be receiving Worker's Compensation benefits, (5) not be on a Temporary Limited or Term Appointment, and (6) not have declined a reasonable job offer. A reasonable offer must be (1) in writing (2) a position for which the employee meets established qualification requirements (3) in the employee's agency (4) in the local commuting area (5) in the same tenure and work schedule, and (6) no more than two grades lower than the employee's current grade.

### Q3. How is the amount of severance determined?

The basic severance allowance is based on one week's basic pay for each of the first 10 years of civilian service and two week's basic pay for each year of creditable civilian service over 10 years. The age adjustment allowance is based on 10% of the total severance pay allowance for each year an employee is over 40 years of age at the time of separation. In computing civilian service and age, credit is given for each full year and 25% for each three months that exceed one or more full years. For example, 3 months = 25%; 6 months = 50%; and 9 months = 75%.

Here is a computation example for Susie -- a full-time, permanent employee. She is 45 years and 5 months old, has 12 years and 3 months civilian service, and a basic pay rate of \$654.00 per week at time of separation.

#### • Basic Severance Allowance

10 (years of civilian service) x \$654.00 (one week's basic pay)	= \$6540.00
2.25 (years of service over 10) x \$1308 (two week's basic pay)	= \$2943.00
Basic Severance Allowance	=
\$9483.00	

#### Age Adjustment Allowance

10% x \$9483 (basic severance) = \$ 948.30 x 5.25 (yrs over age 40)	= \$4978.58
Age Adjustment Allowance	

• • Total Severance Pay (basic severance + age adjustment)	= \$14461.58
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### Q4. Is the amount of severance determined differently for seasonal employees?

For seasonal employees, one week's basic pay used in the basic severance allowance is determined by the average number of hours in a pay status (excluding overtime) in the last 26 pay periods prior to separation and the rate of basic pay at time of separation.

Here is a computation example for Joe -- a seasonal employee who was in a pay status for a total of 520 hours in the 26 pay periods prior to separation. He is 49 years and 5 months old, has 14 years and 0 month's civilian service, and a basic pay rate of \$16.35 per hour at time of separation.

520 hours divided by 52 weeks = 10 (average hours in a pay status)

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$\$16.35 \times 10 \text{ hours} = \$163.50$  (one week's basic pay)

- **Basic Severance Allowance**  
10 (years of civilian service) x \$163.50 (one week's basic pay) = \$1635  
4 (years of service over 10) x \$327 (two week's basic pay) = \$1308  
Basic Severance Allowance =  
\$2943
- **Age Adjustment Allowance**  
\$2943 (basic severance) x 10% = \$294.30 x 9.25 (years over age 40) = \$2722.28  
Age Adjustment Allowance =  
\$2722.28
- **Total Severance Pay (basic severance) + (age adjustment)** = \$5665.28

#### Q5. How will severance be paid to an employee?

Upon separation, payment of severance is made bi-weekly, on the same schedule and in the same amount as the employee's usual paycheck. The payments continue until the recipient is reemployed in the Federal government, the severance pay fund is exhausted, or the employee has received 1 year of severance pay.

#### Q6. Is an employee entitled to receive severance pay more than one time if he or she is involuntarily separated more than once?

An employee is entitled to one year's severance pay in his/her lifetime. This means that if an employee received severance pay in the past, that amount must be subtracted from the amount that the employee would receive during this entitlement.

#### Q7. Is severance pay subject to deductions?

Severance pay is subject to Federal and State tax withholdings, 1.45% Medicare taxes, and 6.2% Social Security taxes for employees covered by the Federal Employees' Retirement System (FERS) and the Civil Service Retirement System (CSRS) Offset. In addition, any outstanding indebtedness will be deducted.

#### Q8. Will severance pay be stopped if an employee accepts another position?

Accepting another position with any employer **except the Federal Government** has no impact on your ability to receive severance pay. If you receive severance pay and then are reemployed by the Federal Government, your severance pay stops, but you are under no obligation to repay the severance pay you have already received.