

TRANSITIONAL BENEFITS PROGRAM FOR SCHOOL DIVISIONS AND POLITICAL SUBDIVISIONS

Fast Facts

What is it?

A program allowing school divisions and VRS-participating political subdivisions to provide either transitional severance benefits or enhanced retirement credits to eligible employees who are involuntarily separated from employment through budget reduction, agency reorganization, workforce downsizing or other causes not related to job performance or misconduct.

The General Assembly and Governor approved the Transitional Benefits Program for teachers, other school employees and political subdivision employees during the 2010 General Assembly session.

What are the Transitional Benefits Program options?

- **Transitional Severance Benefit.** The employee receives transitional severance benefits determined by the amount of the employee's consecutive service and continued employer share of contributions toward health insurance and group life insurance premiums for up to 12 months from the employee's layoff date. Eligible school division and political subdivision members, upon meeting age and service requirements, may elect to receive VRS retirement benefits at any point following their date of layoff without affecting their transitional severance benefits. See [Benefit Plans](#) for retirement eligibility information.

SEE CHARTS A AND B

OR

- **Enhanced Retirement Credits.** School and political subdivision employees who are age 50 and vested (at least five years of service credit) may be eligible for enhanced retirement credits. After addition of the enhanced retirement credits, eligible school employees and employees of VRS-participating political subdivisions must be at least age 50 with 10 years of service or at least age 55 with 5 years of service and eligible local hazardous duty employees must be at least age 50 with 5 years of service. Eligible employees hired on or after July 1, 2010 must be at least age 60 with 5 years of service before enhanced retirement credits are applied.

NOTE: Participants in an optional retirement plan and members who defer their retirement or retire on disability are not eligible for the enhanced retirement credit.

SEE CHART C



Who is eligible for the Transitional Benefit Program?

- Full-time, salaried employees of school divisions or political subdivisions that have elected to offer the program and who are
 - Involuntarily separated from employment
 - Vested in VRS (have at least five years of VRS service credit)
 - At least 50 years old (age 60 if hired on or after July 1, 2010)

Who is not eligible for the Transitional Benefit Program?

- City or county sheriffs and constitutional officers including treasurers, revenue commissioners, Commonwealth's attorneys, and circuit court clerks are not eligible for the program.
- Anyone who is a deferred member of VRS, resigns their position, retires for disability or elects to receive benefits under the provisions of the Code of Virginia 51.1-155.1 or 51.1-155.2 "Exceptions from the general early retirement provisions".

What happens if the member returns to work?

- If the member receives the transitional severance benefit and returns to work with the previous employer in the same or a similar position or as an independent contractor performing the same or similar duties, the transitional severance benefit will stop.
- If the member retires with the enhanced retirement credit and returns to covered employment with any VRS-participating employer in any capacity, the member will forfeit the enhanced retirement credit and the benefit will cease. When the member re-retires, the monthly benefit will be recalculated to exclude the enhanced retirement credits.



TRANSITIONAL SEVERANCE BENEFIT OPTION

Benefit Type											
Transitional Severance Benefit	<ul style="list-style-type: none"> Transitional severance benefit duration and amounts – (The maximum transitional severance benefit to which an employee may be entitled is 36 weeks of salary.) <table border="1" data-bbox="711 743 1429 1255"> <thead> <tr> <th data-bbox="711 743 1003 810">Years of Consecutive Service with Employer</th> <th data-bbox="1052 743 1349 810">Amount of Transitional Severance Benefit</th> </tr> </thead> <tbody> <tr> <td data-bbox="711 852 889 884">2 years or less</td> <td data-bbox="1052 852 1243 884">4 weeks salary*</td> </tr> <tr> <td data-bbox="711 926 992 957">3 years through 9 years</td> <td data-bbox="1052 926 1409 1014">4 weeks salary* plus an additional week for every year over 2</td> </tr> <tr> <td data-bbox="711 1062 1024 1094">10 years through 14 years</td> <td data-bbox="1052 1062 1422 1150">12 weeks salary* plus 2 additional weeks for every year over 9</td> </tr> <tr> <td data-bbox="711 1199 919 1230">15 years or more</td> <td data-bbox="1052 1199 1422 1255">2 weeks salary* per year not to exceed 36 weeks of salary</td> </tr> </tbody> </table> <p data-bbox="656 1293 1487 1514">* Determine employee’s weekly salary by dividing his or her annual salary by 52. The amount to be paid is calculated according to the guidelines above. Transitional severance benefits for employees compensated on 9-, 10- and 11-month basis are calculated using the same formula for employees compensated on a 12-month basis.</p> <p data-bbox="656 1549 1422 1619">The employer is responsible for paying the transitional severance benefits directly to the employee.</p>	Years of Consecutive Service with Employer	Amount of Transitional Severance Benefit	2 years or less	4 weeks salary*	3 years through 9 years	4 weeks salary* plus an additional week for every year over 2	10 years through 14 years	12 weeks salary* plus 2 additional weeks for every year over 9	15 years or more	2 weeks salary* per year not to exceed 36 weeks of salary
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Health Insurance	<ul style="list-style-type: none"> If the employee is covered under an employer sponsored health insurance plan and the employer pays any portion of the premium on behalf of the employee, the employee will continue coverage in the active group and the employer will continue to pay their contribution for the coverage up to 12 months from the 										



	<p>date of layoff.</p> <ul style="list-style-type: none"> • At end of the layoff period, employee may continue coverage under Consolidated Omnibus Budget Reconciliation Act (COBRA) for up to 18 months.
Basic Group Life Insurance	<ul style="list-style-type: none"> • Any employer-paid basic group life insurance coverage will continue for 12 months following the layoff date. The employer must continue to pay any costs associated with the coverage. If the employee normally pays for the member share of the cost, they must pay the employer and the employer pays the entire cost of the coverage to the provider. • For VRS group life insurance, at end of the layoff period, the employee may convert coverage within 31 days, if not eligible for continued group coverage under applicable retiree provisions. • For VRS group life insurance, employee is reported to VRS as on leave without pay (LWOP) - layoff status during the 12 months. • For VRS group life insurance, employer must submit the VRS-11C.
Optional Life Insurance	<ul style="list-style-type: none"> • For VRS optional life insurance, employee may convert coverage within 31 days of termination of employment or layoff date or, if eligible, may continue optional life coverage under retirement provisions. • If the employee is participating in an employer sponsored optional group life program in lieu of the VRS Optional Group Life program, coverage is determined under the terms of that plan.
Defined Benefit Plan (VRS)	<ul style="list-style-type: none"> • Employee is reported to VRS on LWOP Status <ul style="list-style-type: none"> ○ Transitional severance benefits are not reported. ○ Creditable compensation is not reported. ○ Group life and last annual salary is reported if the employee participates in the VRS Group Life Insurance program. • If employee requests a refund of member contributions



	<p>and interest during the 12-month layoff period, VRS considers it to be a resignation and all severance benefits stop.</p> <ul style="list-style-type: none"> • Employee can apply for retirement upon reaching age and service requirements: <ul style="list-style-type: none"> ○ VRS members - at least age 50 with 10 years of service credit or at least age 55 with 5 years of service credit (age 60 with 5 years of service credit if hired on/after 7/1/10) ○ Political Subdivision employees in hazardous duty positions - at least age 50 with at least 5 years of service credit
Purchase of Prior Service	<ul style="list-style-type: none"> • Employee may not purchase prior service credit while on LWOP-layoff. • After-tax payroll deduction contracts stop. Employee can purchase remaining service on the contract in a lump sum prior to layoff or by payroll deduction on return to VRS- covered employment, provided their cost change date has not passed; at which point the service could be purchased in a lump sum only. • Pre-tax payroll deduction contracts stop. Employee may be eligible to claim a hardship and purchase remaining service on the contract in a lump sum with after-tax funds or resume an after-tax contract upon return to VRS-covered position, provided their cost change date has not passed; at which point the service could be purchased in a lump sum only. <ul style="list-style-type: none"> ○ To claim a hardship, employee must submit a letter to VRS indicating the intent to purchase the remaining service in a lump sum or request that the contract be suspended. ○ Employer must complete and sign the VRS-11B. ○ Documentation should be submitted prior to layoff.
Deferred Compensation Plan (if applicable)	<ul style="list-style-type: none"> • Funds can be left in the 457 Plan and the member can continue to manage investments. The member cannot contribute to the plan unless the member has returned to salaried or wage employment with an employer that offers the plan. If the member is 70 ½ at the time of leaving employment a minimum distribution will be required.



- Member may request payment of 457 plan funds and any cash match funds by electing a lump sum, periodic payment or a combination of distribution methods. Funds paid directly to the member are subject to federal and state income taxes. Cash match funds also may be subject to a 10 percent federal tax penalty if funds are withdrawn before age 59 ½. Payments from the 457 Plan are not subject to this tax penalty.
- Participants may roll some or all of their Plan account balance to another retirement plan that will accept the rollover.
- Payment for unused sick leave or annual leave can be rolled over to the 457 Plan account.
- The transitional severance benefit cannot be contributed to the 457 Plan.



TRANSITIONAL SEVERANCE BENEFIT AND RETIREMENT

Benefit Type											
Transitional Severance Benefit	<ul style="list-style-type: none"> Transitional severance benefit duration and amounts – (The maximum transitional severance benefit to which an employee may be entitled is 36 weeks of salary.) <table border="1" data-bbox="695 722 1463 1199"> <thead> <tr> <th>Years of Consecutive Service with Employer</th> <th>Amount of Transitional Severance Benefit</th> </tr> </thead> <tbody> <tr> <td>2 years or less</td> <td>4 weeks salary*</td> </tr> <tr> <td>3 years through 9 years</td> <td>4 weeks salary* plus an additional week for every year over 2</td> </tr> <tr> <td>10 years through 14 years</td> <td>12 weeks salary* plus 2 additional weeks for every year over 9</td> </tr> <tr> <td>15 years or more</td> <td>2 weeks salary* per year not to exceed 36 weeks of salary</td> </tr> </tbody> </table> <p>*Calculate the employee’s weekly salary by dividing his or her annual salary by 52. The amount to be paid is calculated according to the guidelines above. Transitional severance benefits for employees compensated on 9-, 10- and 11-month basis are calculated using the same formula for employees compensated on a 12-month basis.</p> <p>The employer is responsible for paying the transitional severance benefits directly to the employee.</p>	Years of Consecutive Service with Employer	Amount of Transitional Severance Benefit	2 years or less	4 weeks salary*	3 years through 9 years	4 weeks salary* plus an additional week for every year over 2	10 years through 14 years	12 weeks salary* plus 2 additional weeks for every year over 9	15 years or more	2 weeks salary* per year not to exceed 36 weeks of salary
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Health Insurance	<ul style="list-style-type: none"> If the employee is covered under an employer sponsored health insurance plan and the employer pays any portion of the premium on behalf of the employee, the employee will continue coverage in the active group and the employer will continue to pay their contribution for the coverage up to 12 months from the date of layoff. 										



	<ul style="list-style-type: none"> At end of the layoff period, the employee may continue coverage in the employer's retiree health insurance plan. The employee will be responsible for paying the premium if the annuity check cannot support the premium.
Health Insurance Credit	<ul style="list-style-type: none"> Employee is eligible for the health insurance credit provided he or she has at least 15 years of service, is paying out-of-pocket premium cost for his or her coverage, and the employer has elected the health insurance credit. Employee must submit a completed VRS-45 form at retirement to obtain credit to be used towards the premiums for health, dental, vision insurance and prescription coverage, unless the employer has an agreement in place with VRS to have VRS deduct premiums for retirees participating in the employer's insurance plan.
Basic Group Life Insurance	<ul style="list-style-type: none"> Any employer-paid basic group life insurance coverage will continue for 12 months following the layoff date. The employer must continue to pay any costs associated with the coverage. If the employee normally pays for the member share of the cost, they must pay the employer and the employer pays the entire cost of the coverage to the provider. For VRS basic group life insurance, at end of the layoff period, coverage continues as a retired member. Coverage begins to reduce on the January 1 following one calendar year of retirement. The reduction is 25 percent each January 1 until it reduces to 25 percent of its value prior to retirement. If the employee is covered under an alternative program with the employer, the amount of coverage is determined based on the terms of that plan.
Optional Life Insurance	<ul style="list-style-type: none"> For VRS optional life insurance, employee may convert coverage within 31 days of termination of employment or layoff date or, if eligible, may VRS continue optional life coverage under retirement provisions. If the employee is participating in an employer sponsored optional group life program in lieu of the VRS Optional Group Life program, coverage is determined under the terms of that plan.



<p>Traditional Accrued Sick Leave Used to Purchase Service</p>	<ul style="list-style-type: none"> • Employee can purchase service credit using accrued sick leave based on their annual salary or AFC, whichever is higher, provided he or she retires on an immediate annuity.
<p>Defined Benefit Plan (VRS)</p>	<ul style="list-style-type: none"> • Employee is reported to VRS on LWOP Status for 12 months, or up to date of retirement. <ul style="list-style-type: none"> ○ Transitional severance benefits are not reported. ○ Creditable compensation is not reported. ○ Group life and last annual salary is reported if the employee participates in the VRS Group Life Insurance program. • Employee can apply for retirement on reaching age and service requirements: <ul style="list-style-type: none"> ○ VRS members - at least age 50 with 10 years of service credit or at least age 55 with 5 years of service credit (age 60 with 5 years of service credit if hired on/after 7/1/10) ○ Political Subdivision employees in hazardous duty positions - members at least age 50 with 5 or more years of service credit • Employees qualifying for unreduced or reduced retirement at time of layoff, may retire at any time after layoff date.
<p>Purchase of Prior Service</p>	<ul style="list-style-type: none"> • Employee may not purchase service while on layoff. • After-tax payroll deduction contracts stop. Employee can purchase remaining service on the contract in a lump sum prior to layoff or by payroll deduction on return to VRS-covered employment, provided their cost change date has not passed; at which point the service could be purchased in a lump sum only. • Pre-tax payroll deduction contracts stop. Employee may be eligible to claim a hardship and purchase remaining service on the contract in a lump sum with after-tax funds only or resume an after-tax contract on return to a VRS-covered position, provided their cost change date has not passed; at which point the service could be purchased in a lump sum only. <ul style="list-style-type: none"> ○ To claim a hardship, employee must submit a letter to VRS indicating the intent to purchase the remaining service in a lump sum or request that the contract be



	<p>suspended.</p> <ul style="list-style-type: none"> ○ Employer must complete and sign the VRS-11B ○ Documentation should be submitted prior to layoff.
<p>Deferred Compensation Plan (if applicable)</p>	<ul style="list-style-type: none"> ● Funds can be left in the 457 Plan and the member can continue to manage investments. The member cannot contribute to the plan unless the member has returned to salaried or wage employment with an employer that offers the plan. If the member is 70 ½ at the time of leaving employment a minimum distribution will be required. ● Member may request payment of 457 plan funds and any cash match funds by electing a lump sum, periodic payment or a combination of distribution methods. Funds paid directly to the member are subject to federal and state income taxes. Cash match funds also may be subject to a 10 percent federal tax penalty if funds are withdrawn before age 59 ½. Payments from the 457 Plan are not subject to this tax penalty. ● Participants may roll some or all of their Plan account balance to another retirement plan that will accept the rollover. ● Payment for unused sick leave or annual leave can be rolled over to the 457 Plan account. ● The transitional severance benefit cannot be contributed to the 457 Plan.



ENHANCED RETIREMENT CREDIT (No transitional severance benefit. Must retire with an immediate annuity)

Benefit Type	
Enhanced Retirement Credits	<ul style="list-style-type: none"> • Member must be at least age 50 and vested (with five or more years of service credit) in order to be eligible for enhanced retirement credits under the Transitional Benefits Program. • Credit is added to employee's age or service credit, or a combination of both, whichever will result in a higher VRS retirement benefit. Employees who are eligible for an unreduced retirement benefit at their layoff date are eligible for additional service credit only. • After the addition of the enhanced retirement credits, member must meet age and service requirements: <ul style="list-style-type: none"> ○ VRS-covered member is required to be at least age 50 with 10 or more years of service or at least age 55 with 5 or more years of service (age 60 with 5 years of service credit if hired on/after 7/1/10) • If the employee returns to VRS-covered employment, retirement benefits stop and he or she again becomes a contributing member. <ul style="list-style-type: none"> ○ When employee re-retires, the enhanced retirement credits are not used in recalculating a benefit for the subsequent retirement. • The cost of the enhanced retirement credits will be reflected in future employer contribution rates. • Enhanced retirement credits applied to service credit will apply towards eligibility for the health insurance credit and hazardous duty supplement, if the employer offers them. • Enhanced retirement credits do not count toward: <ul style="list-style-type: none"> ○ Minimum age or vesting requirement to qualify for the retirement credit.



	<ul style="list-style-type: none"> ○ One, two or three years of active service beyond eligibility for an unreduced retirement to qualify for the Partial Lump Sum Option Payment (PLOP). 										
<p>Determining the Number of Enhanced Retirement Credits</p>	<ul style="list-style-type: none"> ● The number of enhanced retirement credits an employee receives is based on the value of his or her severance package. The severance package includes: <ul style="list-style-type: none"> ○ Employer portion of group health insurance for 12 months and ○ Employer portion of basic group life insurance coverage for 12 months. <p>To convert the value:</p> <ol style="list-style-type: none"> 1.) Determine employee's annual salary. 2.) Divide the annual salary by 52 to determine the employee's weekly salary. 3.) Determine employee's consecutive service with the employer (rounded up to next whole year). 4.) Based on the years of consecutive service (step 3), determine the number of weeks of transitional severance benefits, as follows: <table border="1" data-bbox="617 1155 1494 1617" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Years of Consecutive Service to Employer</th> <th style="text-align: left;">Amount of Transitional Severance Benefit</th> </tr> </thead> <tbody> <tr> <td>2 years or less</td> <td>4 weeks salary*</td> </tr> <tr> <td>3 years through 9 years</td> <td>4 weeks salary* plus an additional week for every year over 2</td> </tr> <tr> <td>10 years through 14 years</td> <td>12 weeks salary* plus 2 additional weeks for every year over 9</td> </tr> <tr> <td>15 years or more</td> <td>2 weeks salary* per year not to exceed 36 weeks of salary</td> </tr> </tbody> </table> 5.) Multiply number of weeks from step 4 by weekly rate from step 2. 6.) Determine the 12-month value of the employer portion of health insurance the member has with the employer at the time of 	Years of Consecutive Service to Employer	Amount of Transitional Severance Benefit	2 years or less	4 weeks salary*	3 years through 9 years	4 weeks salary* plus an additional week for every year over 2	10 years through 14 years	12 weeks salary* plus 2 additional weeks for every year over 9	15 years or more	2 weeks salary* per year not to exceed 36 weeks of salary
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separation.

- 7.) Determine 12-month value of the employer's contribution toward basic group life insurance defined as the monthly premium the employer pays on behalf of the employee for group life insurance.
- 8.) Add together the results from steps 5, 6 and 7.
- 9.) Take the employee's annual salary and multiply it by .15 (cost per year of credit).
- 10.) Divide result of step 8 by the result of step 9 to determine the number of years of enhanced retirement credits the employee will receive. Round up.

Example: Tim works for Henrico County. He has single coverage in his employer's health insurance plan, an annual salary of \$30,000 and consecutive service of 16 years.

- 1.) Determine employee's annual salary.
 - \$30,000.00
- 2.) Divide the annual salary by 52 to determine the employee's weekly rate.
 - \$30,000 divided by 52 equals \$576.92
- 3.) Determine employee's consecutive service (rounded up to next whole year).
 - 16 years
- 4.) Determine, based on the chart above and the years of consecutive service in step 3, the number of weeks of transitional severance benefits.
 - 2 times 16 equals 32
- 5.) Multiply number of weeks from step 4 by weekly rate from step 2.
 - 32 multiplied by \$576.92 equals \$18,461.44
- 6.) Determine the 12-month value of the employer's contribution toward group health insurance program for the employee's type of coverage at the time of separation.
 - \$438.00 multiplied by 12 equals \$5,256.00
- 7.) Determine 12-month value of the basic group life insurance.
 - .0079 multiplied by \$30,000 equals \$237.00



	<p>8.) Add together the results from steps 5, 6 and 7</p> <ul style="list-style-type: none"> • \$18,461.44 plus \$5256.00 plus \$237.00 equals \$23,954.44 <p>9.) Take the employee's annual salary and multiply it by .15 (cost per year of credit).</p> <ul style="list-style-type: none"> • \$30,000 multiplied by .15 equals \$4,500.00 <p>10.) Divide result of step 8 by the result of step 9 to determine the number of years of enhanced retirement credit the member will receive. Round up.</p> <ul style="list-style-type: none"> • \$23,954.44 divided by \$4,500.00 equals 5.3232 rounded up equals 6 years
Health Insurance Credit	<ul style="list-style-type: none"> • Employee is eligible for the health insurance credit provided he or she has at least 15 years of service, is paying out-of-pocket premium cost for his or her coverage, and the employer has elected the health insurance credit. <ul style="list-style-type: none"> ○ Must submit a completed VRS-45 if the employer does not have an agreement in place with VRS to deduct premiums for retirees who participate in the employer's health insurance plan.
Basic Group Life Insurance	<ul style="list-style-type: none"> • Coverage continues at no cost if covered under the VRS group life insurance program. If the employee is covered under an alternative program with the employer, coverage continues based on the terms of that plan. • If covered under the VRS group life insurance program, coverage begins to reduce on the January 1 following one calendar year of retirement. The reduction is 25 percent each January 1 until it reduces to 25 percent of its value prior to retirement. If the employee is covered under an alternative program with the employer, the amount of coverage is determined based on the terms of that plan.
Optional Life Insurance	<ul style="list-style-type: none"> • If the employee is covered under the VRS optional life program, coverage continues under retirement provisions, provided coverage was in force during the 60 months prior to retirement or employee may convert coverage within 31 days of retirement date. • Employee pays premiums directly to Minnesota Life. • If the employee is covered under an alternate program with the employer, continuation and coverage amounts are determined



	based on the provisions of that plan.
Purchase of Prior Service	<ul style="list-style-type: none"> • Employee may not purchase service after retirement. • After-tax payroll deduction contracts stop. <ul style="list-style-type: none"> ○ Employee can purchase remaining service on the contract in a lump sum prior to retirement or by payroll deduction upon return to a VRS-covered position, provided their cost change date has not passed; at which point the service could be purchased in a lump sum only. • Pre-tax payroll deduction contracts stop. Employee may be eligible to claim a hardship and purchase remaining service on the contract in a lump sum with either after-tax funds or with a rollover of funds from a qualified plan on a tax deferred bases, or resume an after-tax contact upon return to VRS-covered position, provided their cost change date has not passed; at which point the service could be purchased in a lump sum only. <ul style="list-style-type: none"> ○ To claim a hardship, employee must submit a letter to VRS indicating the intent to purchase the remaining service in a lump sum or request that the contract be suspended. ○ Employer must complete and sign the VRS-11B ○ Documentation should be submitted prior to retirement.

