Severance Pay FAQs

Basic Information

Q: Where can I get basic information about severance pay?

A: For basic information see OPM's Severance Pay fact sheet and the Severance Pay Estimation Worksheet. For detailed information, see 5 CFR part 550, subpart G.

Eligibility

Q: What are the eligibility requirements that must be met for a Federal employee to receive severance pay?

To be eligible for severance pay, an employee must meet **all** of the following eligibility requirements:

- Is serving in a covered agency;
- Is being removed from Federal service by an involuntary separation;
- Has 12 months of continuous Federal employment immediately before the involuntary separation;
- Has a full-time or part-time work schedule (not intermittent);
- Has a qualifying appointment without a time limitation (unless a special exception applies—for example, the employee holds a full-time position with a time-limited (temporary or term) appointment that was made within 3 calendar days after the end of a qualifying appointment without a time limitation);
- Does not have a political appointment (Presidential, noncareer SES, Schedule C, or an equivalent appointment made for similar purposes);
- Has not declined a reasonable offer in the employee's agency (see definition of "reasonable offer" in 5 CFR 550.703) before separation;
- Is not eligible for an immediate retirement annuity at the time of separation;
- Is not receiving workers' compensation (for work injuries incurred by the employee) at the time of separation—unless compensation is being received concurrently with pay;
- Is not in a position that has a single rate of basic pay that is fixed at an Executive Schedule (EX) rate;

- Does not have a rate of basic pay in excess of EX-I rate ($250,600 in 2025—in future years see Salaries & Wages, Rates of Pay for the Executive Schedule for the applicable year).

See OPM's Severance Pay fact sheet and OPM regulations on severance pay for detailed information.

Involuntary Separation

Q: What is considered an involuntary separation for severance pay purposes?

A: An "involuntary separation" is a separation initiated by an agency against the employee's will and without his or her consent for reasons other than inefficiency, where "inefficiency" means unacceptable performance or conduct that leads to a separation under 5 CFR part 432 (procedures for certain performance-based actions) or 5 CFR part 752 (procedures for adverse actions) or an equivalent procedure.

If an employee is separated because he or she declines to accept a reassignment outside of his or her commuting area, the separation is involuntary—unless a mobility agreement is in effect. (See additional FAQ below with more information on severance pay eligibility for employees who receive a directed reassignment.)

Q: Can a resignation ever qualify as an involuntary separation for severance pay purposes?

A: As a general rule, all resignations are voluntary actions that would not qualify for severance pay. However, the severance pay regulations provide a limited exception to that general rule for employees who resign after receiving—

- a specific written notice stating that the employee will be involuntarily separated by a particular action (for example, reduction in force) on a particular date (see 5 CFR 550.706(a)(1)); or
- a general written notice of reduction in force (RIF) or transfer of function that announces that all positions in the competitive area will be abolished or transferred to another commuting area by a particular date no more than 1 year after the date of the notice (see 5 CFR 550.706(a)(2)).

However, if the specific or general notice is cancelled before the employee's resignation takes effect, the resignation would not be qualifying for severance pay purposes (5 CFR 550.706(c)).

If the specific notice deals with an involuntary separation by RIF procedures, the notice must meet the conditions in 5 CFR part 351, subpart H. (**Note:** While the above-described general notice can be a basis for severance pay eligibility, such a general notice has no standing under the RIF program and is not subject to RIF rules. A general notice cannot be used to meet the RIF notice requirements in 5 CFR part 351, subpart H.)

A Certification of Expected Separation under 5 CFR 351.807 is not a qualifying specific or general notice under the severance pay regulations.

Entitlement to certain benefits—such as training assistance, priority placement rights, appeal rights, etc.—may be affected by an employee's decision to resign in advance of an actual involuntary separation action. The employing agency should inform affected employees of these implications before the agency accepts a resignation.

Even if a resignation is considered an "involuntary separation" under the severance pay rules, the employee may be ineligible for severance pay for other reasons. The employee must meet all applicable eligibility requirements.

For additional information see OPM's Reductions in Force webpages, OPM's Severance Pay fact sheet and 5 CFR part 550, subpart G.

Q: If an employee (including an employee in a remote work arrangement) does not accept a directed reassignment to a different worksite, is he or she considered to be involuntarily separated for purposes of severance pay eligibility?

A: It depends on the specific set of circumstances. If the directed reassignment moves the employee's worksite to a location within the employee's commuting area, separation of the employee for not accepting the assignment would not qualify as an involuntary separation for severance pay purposes.

If the directed reassignment moves the employee's worksite to a location outside the employee's commuting area, separation of the employee for not accepting the assignment could qualify as an involuntary separation for severance pay purposes unless the employee is subject to a written mobility agreement that provides for such a reassignment.

Note 1: An employee's "commuting area" is the geographic area surrounding a work site that encompasses the localities where people live and can reasonably be expected to travel back and forth daily to work, as established by the employing agency based on the generally held expectations of the local community. When an employee's residence

is within the standard commuting area for a work site, the work site is within the employee's commuting area. When an employee's residence is outside the standard commuting area for a proposed new work site, the employee's commuting area is deemed to include the expanded area surrounding the employee's residence and including all destinations that can be reached via a commuting trip that is not significantly more burdensome than the current commuting trip. (See definition of "commuting area" in 5 CFR 550.703.)

Note 2: An employee may be considered to be subject to a written mobility agreement based on a position description in place when the individual accepted the position or remote work arrangement, a written condition of employment communicated to the individual when hired, listed as a condition of employment within the specific job opportunity announcement to which he or she applied, or other written agreement.

Note 3: If a written mobility requirement is added without an employee's consent after the employee is placed in a position, and if the employee accepts an assignment outside the employee's commuting area after the mobility requirement is added, the employee will be considered to have accepted the requirement and be subject to a mobility agreement. Thus, if the employee declines a later reassignment and is separated, the separation would not be considered involuntary.

Deferred Resignation Program

Q: Are employees who resign under the Deferred Resignation Program eligible for severance pay?

A: To be eligible for severance pay under 5 U.S.C. 5595, an employee must (1) be serving under a qualifying appointment (as defined in 5 CFR 550.703), (2) have completed at least 12 months of continuous service, and (3) be removed from Federal service by involuntary separation. Also, an employee is ineligible for severance pay if the employee is eligible upon separation for an immediate annuity from a civilian or uniformed services retirement system (5 CFR 550.704) or is receiving injury compensation under 5 U.S.C. chapter 81 (unless the compensation is being received concurrently with pay or is the result of someone else's death).

A deferred resignation is a voluntary action and thus does not meet the definition of "involuntary separation" in 5 CFR 550.703—"a separation initiated by an agency against the employee's will and without his or her consent for reasons other than inefficiency." Thus, Deferred Resignation Program participants are not eligible for severance pay.

Probationary Employees

Q: Are probationary employees eligible for severance pay?

A: An employee's probationary status is not a direct factor in determining the employee's eligibility for severance pay. A probationary employee would have to meet all severance pay eligibility requirements under 5 CFR 550.704. For example, among other requirements, there is a requirement that an employee have at least 12 months of continuous Federal employment (as defined in 5 CFR 550.705) at the time of the involuntary separation that is the basis for severance pay. The authority under which the employee is involuntarily separated may also affect eligibility. Agencies should carefully review each employee's specific situation against the regulatory requirements when determining severance pay eligibility.

Voluntary Separation Incentive Payments

Q: May an employee who elects to receive a Voluntary Separation Incentive Payment (VSIP) receive severance pay?

A: No. By definition, a voluntary separation incentive payment is based on a voluntary separation. Severance pay eligibility requires an involuntary separation.

Retirement

Q: May severance pay be paid to employees who are eligible for discontinued service retirement?

A: No. An employee who is eligible at time of separation to receive an immediate annuity, including one based on a discontinued service retirement, is not eligible for severance pay. An employee is eligible for a discontinued service retirement annuity if the employee—

(1) is separated from Federal service involuntarily, excluding removal for cause on charges of misconduct or delinquency;

(2) has completed 25 years of creditable service or, after becoming 50 years of age with at least 20 years of creditable service; and

(3) has not declined a reasonable offer (as defined in law and regulations).

An employee cannot become entitled to severance pay by delaying or declining receipt of a discontinued service retirement annuity for which the employee is eligible. Entitlement to a discontinued service retirement cannot be waived. The bar on

severance pay is based on eligibility for an immediate annuity (including a discontinued service retirement annuity), not receipt of an annuity.

Please see OPM's webpages on types of retirement and Reductions in Force benefits, OPM's Severance Pay fact sheet, and 5 CFR part 550, subpart G for additional information.

Q: May severance pay be paid to employees who are eligible for an early voluntary retirement?

A: An employee who is eligible at time of separation to receive an immediate annuity is not eligible for severance pay. Thus, an employee who accepts an offer for an early voluntary retirement (that is, a retirement under the voluntary early retirement authority or VERA) and separates with entitlement to an immediate annuity based on that retirement is not eligible for severance pay. Furthermore, severance pay is not payable based on the fact that a separation for early voluntary retirement is voluntary.

An employee's eligibility for an early voluntary retirement depends on whether the employee meets all the eligibility conditions set forth in law, regulation, the specific OPM authorization provided to the agency, and the agency offer. For example, the employee must have completed 25 years of creditable service or, be 50 years of age with at least 20 years of creditable service. Also, an agency's early voluntary retirement offer establishes a window of time for covered employees to accept the offer.

If an eligible employee does not accept an agency's early voluntary retirement offer during the designated window of time, the employee is no longer eligible for an early voluntary retirement annuity after the window closing date. The fact that the employee once declined to accept a VERA offer is irrelevant in determining future severance pay eligibility. Consider the following scenarios for such an employee:

- If such an employee later voluntarily separates, the employee would not be eligible for severance pay, since eligibility for severance pay requires an involuntary separation.
- If such an employee is later separated involuntarily (for example, via a reduction in force) and not for cause based on misconduct or delinquency, the employee would generally be eligible for a discontinued service retirement—since an employee eligible for an early voluntary retirement offer would also meet the age/service requirements for a discontinued service retirement—and thus be ineligible for severance pay.

- If such an employee is later separated involuntarily for cause based on misconduct or delinquency, the employee would not be eligible for discontinued service retirement or severance pay.
- If such an employee is later separated involuntarily and is not eligible for a discontinued service retirement solely because of declining a qualifying reasonable offer of a different position, the offer may also meet the conditions for a qualifying reasonable offer under the severance pay regulations, which would block severance pay eligibility.

Note: If such an employee has reached the minimum retirement age at the time of a later separation, the employee would be eligible for an immediate annuity. If the employee is not eligible for an immediate annuity at the time of a later separation, the employee would be eligible for a deferred annuity when the minimum retirement age is reached.

Please see OPM's webpages on types of retirement and Reductions in Force benefits, OPM's Severance Pay fact sheet, and 5 CFR part 550, subpart G for additional information.

Computation and Payment

Q: What factors determine the value of an employee's severance pay benefit?

A: The value of an employee's severance pay fund is based on the following:

- Years of creditable service;
- Age;
- Rate of basic pay; and
- A 52-week lifetime limit that takes into account weeks of severance pay previously received.

See 5 CFR 550.707, the OPM Severance Pay fact sheet and Severance Pay Estimation Worksheet for more information on the computation formula.

Q: What service is creditable in computing an employee's severance pay?

A: The following service is creditable for purposes of computing an employee's severance pay benefit:

- Service as a Federal civil service employee (as defined in 5 U.S.C. 2105), excluding time during a period of nonpay status that exceeds 6 months in aggregate in a calendar year—except that the 6-month limit does not apply to periods of civilian service nonpay status while performing military service or while receiving workers' compensation benefits under 5 U.S.C. chapter 81, subchapter I (see 5 CFR 550.708(a), 5 U.S.C. 6303(a), and 5 U.S.C. 8332(f));
- Service performed with the United States Postal Service or the Postal Regulatory Commission;
- Military service (including active or inactive training with the National Guard) and other service in the uniformed services that interrupts Federal civilian service, as long as the employee returns to Federal civilian service through the exercise of a restoration right provided by law, Executive order, or regulation (see definition of "uniformed services" in 5 CFR 353.102 and also 5 CFR 353.107 regarding the crediting of service in the uniformed services that is not military service);
- Service performed by an employee of a nonappropriated fund instrumentality of the Department of Defense or the Coast Guard and who moves to a civilian position with the Department of Defense or the Coast Guard, respectively, without a break in service of more than 3 days; and
- Service performed with the government of the District of Columbia by an individual first employed by that government before October 1, 1987, excluding service as a teacher or librarian of the public schools of the District of Columbia.

In addition, other laws may operate to provide credit for other service. For example, a period of satisfactory service as a Peace Corps volunteer is creditable for severance pay computation purposes, if the individual is later employed in a position in which the individual meets the definition of "employee" in 5 U.S.C. 6381(1)(A) (see 22 U.S.C. 2504(g)(1)). Also, certain periods of service of at least 1 year in the Volunteers in Service to America (AmeriCorps VISTA) program are creditable under 42 U.S.C. 5055(c).

Note: The Service Computation Date on an employee's SF 50 is used in determining service credit for purposes of establishing an employee's annual leave accrual rate. It is not necessarily the same as the service computation date used to determine creditable service for severance pay computation purposes.

Q: Under conditions specified in 5 U.S.C. 6303(e) and 5 CFR 630.205, for the purpose of determining a newly appointed employee's annual leave accrual rate, the employee may receive service credit for prior non-Federal service or for prior active duty in a Federal uniformed service that is not creditable under the normal rules. Is such service creditable for severance pay purposes?

A: No. While such service may be creditable for the purpose of determining an employee's annual leave accrual rate, it is not creditable for other purposes, such as severance pay.

Q: Under 5 U.S.C. 6303(a), certain active military service may be creditable for annual leave accrual purposes under the regular rules. Is such service creditable for severance pay computation purposes?

A: No. The only military service that is creditable for severance pay computation purposes is military service (including active or inactive training with the National Guard) that interrupts Federal civilian service—but only when the employee returns to Federal civilian service through the exercise of a restoration right provided by law, Executive order, or regulation. Military service performed prior to an individual's Federal civilian service is not creditable for severance pay purposes.

Q: What is considered a rate of basic pay for the purpose of computing an employee's severance pay benefit?

The term "rate of basic pay" includes certain payments in addition to an employee's base pay rate as required by law or regulation:

- Locality pay;
- Special rate supplement;
- Standby duty premium pay;
- Administratively uncontrollable overtime pay;
- Law enforcement availability pay;
- Straight-time pay for regular overtime hours for certain firefighters covered by 5 U.S.C. 5545b;
- Night shift differential for prevailing rate employees; and
- Border Patrol agent's regular overtime supplement.

See definition of "rate of basic pay" in 5 CFR 550.703.

Q: How is severance pay paid?

A: Severance pay is paid at the same intervals as salary was paid—generally on a biweekly basis—until the employee's severance pay fund is exhausted or the severance payments are suspended or terminated. The biweekly severance payment is based on the employee's biweekly "rate of basic pay" in effect immediately before the employee's separation, except that an annual average may be used in certain circumstances in which the rate of basic pay varies by week. Severance payments are made by the agency that employed the recipient at the time of separation. Severance payments are subject to appropriate deductions for income and Social Security taxes. (See 5 CFR 550.709 for more information.)

Suspension or Termination

Q: Under what circumstances may an employee's severance payments be suspended or terminated?

A: Severance payments must be suspended if a recipient is employed by the Government of the United States (including the U.S. Postal Service) or the government of the District of Columbia under a nonqualifying time-limited appointment. The severance payments remain suspended for the life of the appointment. When the appointment ends, severance payments are resumed by the original agency from which the employee was involuntarily separated without any recomputation.

Severance payments must be suspended when, without a break in service of more than 3 days, a Department of Defense (DOD) employee moves to employment with a DOD nonappropriated fund instrumentality (NAFI) or when a Coast Guard employee moves to employment with a Coast Guard NAFI. Severance payments may be resumed if the NAFI employment ends due to an involuntary separation, except that payment may not be resumed if the employee—

- was removed for cause for misconduct, delinquency, or inefficiency;
- upon separation, is entitled to immediate payment of retired or retainer pay as a member or former member of the uniformed service; or
- upon separation, is entitled to an immediate annuity under a NAFI retirement system or a retirement system for Federal employees.

If severance payments are resumed after NAFI employment ends, the severance pay fund must be reduced (but not below zero) by the amount of any NAFI severance pay payable for service accounted for in the computation of the severance pay fund.

Severance payments must be terminated (that is, the severance pay entitlement is ended) when—

- the recipient is employed by the Government of the United States (including employment with the U.S. Postal Service but excluding enlistment or activation in the U.S. armed forces) or the government of the District of Columbia, excluding employment under a nonqualifying time-limited appointment; or
- the employee's severance pay fund is exhausted.

If a recipient who is a former employee dies before the time the severance pay fund would be exhausted, the severance payments must be continued as if the recipient were living and paid to the recipient's survivor.

Once an employee has established an entitlement to severance pay, an employee's right to continue to receive severance payments is not affected by an employee's decision to decline a Federal job offer. The requirement that an employee not decline a reasonable offer is a condition for initial eligibility that applies up to the point that the employee is involuntarily separated. After separation, the condition of not declining a reasonable offer is no longer applicable.

Other Matters

Q: Is the period during which an individual receives severance payments considered to be Federal service for any purpose?

A: A period covered by severance payments is not a period of service or employment with the Government of the United States for any purpose.

Q. If an employee is currently serving or recently served in the uniformed services during a period of Federal civilian service, can the employee be involuntarily separated with severance pay during a reduction in force (RIF)?

A. A current Federal employee is not subject to a reduction in force while serving in the uniformed services (see 5 CFR 353.102 for the definition of "uniformed services"), and the employee is provided with additional RIF protections when he or she returns to Federal civilian service. If the employee served for more than 180 days, he or she may not be separated by RIF for 1 year after the employee returns. If the employee served

for more than 30 but less than 181 days, he or she may not be separated by RIF for 6 months. (See 5 CFR 353.209.)

If the same employee is involuntarily separated based on a RIF action after the expiration of his or her applicable period of protection, he or she will be eligible for severance pay, if all the required conditions are met.

Note: In computing the amount of severance pay the separated employee receives, credit is given for service in the uniformed services only if it interrupts Federal civilian service and the employee returns to Federal civilian service by exercising a restoration right under law, Executive order, or regulation. Service in the uniformed services performed prior to an individual's Federal civilian service is not creditable for severance pay purposes.

Q. Can an employee on leave without pay (LWOP) while receiving workers' compensation for a work injury be involuntarily separated during a reduction in force (RIF) with severance pay?

A. An employee receiving workers' compensation for a work injury receives no special protection in a reduction in force (5 CFR 353.302). The employee can be separated by RIF, and the employee may be eligible for severance pay—but only if the employee is receiving workers' compensation concurrently with pay at the time of separation (that is, a schedule award or partial disability wage-loss compensation—also known as "loss of wage-earning capacity" compensation) and all other severance pay eligibility requirements are met. An employee who is receiving total disability wage-loss compensation at the time of separation is not eligible for severance pay. Agencies should contact the Division of Federal Employees' Compensation in the Department of Labor for more information about workers' compensation benefits.