

# Reduction in Force Benefits for Separated Employees Part 1: Severance Pay and Leave

April 2025



## The Reduction in Force (RIF) Learning Series

RIF Policy Advisory Team

Workforce Policy and Innovation

U.S. Office of Personnel Management

# Housekeeping Items

- A copy of this slide presentation is posted on OPM's [Reductions in Force \(RIF\)](#) Resources and Templates page.
- Ask questions in the Q&A, but please wait until a topic is covered so you're not posting a question that's already been answered. We have built in time at appropriate points to take questions.
- We'll respond to as many questions as we can; however, we cannot answer agency-specific or individual-specific questions.
- A recording of this webinar may be found on OPM's [Reductions in Force \(RIF\)](#) Resources and Templates page.

# Agenda

Benefits for employees under a Reduction in Force —

- Severance Pay
- Leave upon Separation or Retirement
- Other Paid Time Off upon Separation or Retirement

# Severance Pay

# Severance Pay Overview

- Eligible employee with qualifying appointment
- Involuntary separation
- Series of payments (generally same amount and intervals as pay at separation)
- Total amount depends on pay, service, and age

# Severance Pay Eligibility (Slide 1 of 2)

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

- Serving in a covered agency
- Has received a written involuntary separation notice
- Has 12 months continuous employment
- Has a full-time or part-time work schedule (not intermittent)
- Does not have a time-limited (temporary or term) appointment (unless made within 3 days after qualifying permanent appointment and position is full-time)

## Severance Pay Eligibility (Slide 2 of 2)

- Does not have a political appointment (for example, Presidential, noncareer SES, and Schedule C appointments)
- Does not decline a reasonable offer
- Not entitled to an immediate retirement annuity for Federal civilian or uniformed service
- Not receiving workers' compensation based on employee's service (unless compensation is received concurrently with pay)
- Is not in a position for which the rate of basic pay is fixed at an Executive Schedule (EX) rate
- Does not have rate of basic pay in excess of EX-I rate (\$250,600 in 2025)

# Involuntary Separation

- Reduction in Force (RIF) separation
- Resignation after receiving a specific RIF notice
- Resignation after receiving general written notice announcing decision to abolish (or transfer to another commuting area) all positions in a competitive area
- Separation for failure to accept reassignment outside the commuting area (if no mobility agreement exists)
- Other separation initiated by agency against employee's will

## Notes:

Excludes removal for cause: misconduct, delinquency, inefficiency

OPM regulations use single term “inefficiency” defined as unacceptable performance or conduct that leads to a separation under 5 CFR part 432 or 752 or an equivalent procedure.



# Reasonable Offer

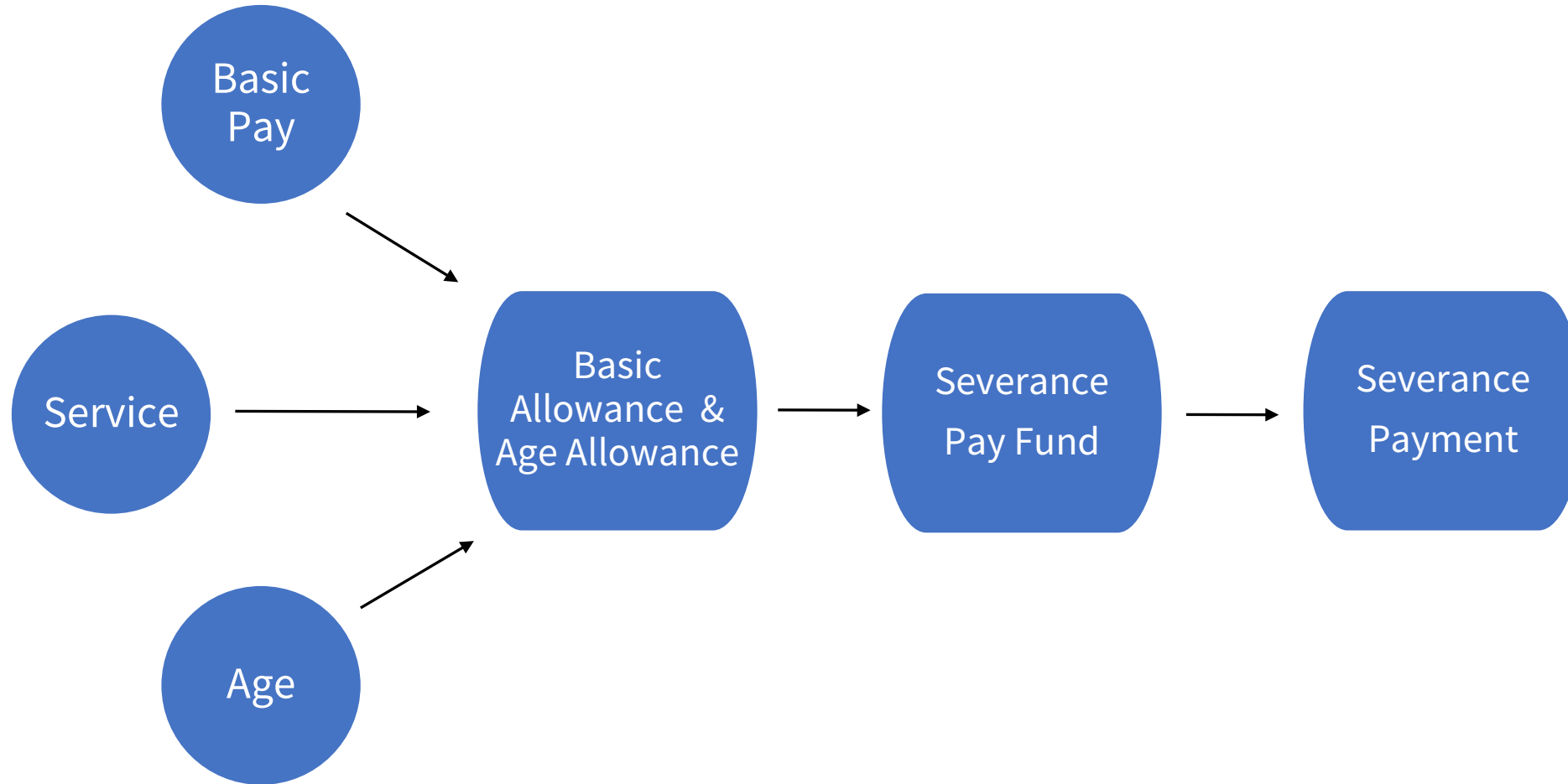
A reasonable offer must meet the following conditions:

- Made after notice of an involuntary separation and before date of separation
- Be in writing
- Employee is qualified
- New position must be in employee's current agency (or agency to which function transferred)
- In same commuting area (unless a mobility agreement exists) (see definition of "commuting area" in 5 CFR 550.703)
- Position is of equal or greater tenure (see definition of tenure in 5 CFR 210.102(b))
- Same work schedule
- Not more than two grades lower

# Mobility Agreement

- Existence of a “mobility agreement” affects determinations of whether (1) separation is involuntary and (2) an employee has received a reasonable offer
- An employee is considered subject to a written mobility agreement based on—
  - the 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;
  - a condition of employment listed in the specific job opportunity announcement to which the employee applied; or
  - some other written agreement
- 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

# Determination of Severance Payment



# Basic Pay for Severance Pay Purposes

Base rate of pay (including a retained rate), excluding additional pay of any kind, except the following:

- Any locality payment under 5 CFR part 531, subpart F, or similar payment under other legal authority
- Special rate supplement under 5 CFR part 530, subpart C, or similar payment or supplement under other legal authority
- Standby duty premium pay under 5 U.S.C. 5545(c)(1)
- Administratively uncontrollable overtime pay under 5 U.S.C. 5545(c)(2)
- Law enforcement availability pay under 5 U.S.C. 5545a
- Straight-time pay for regular overtime hours for firefighters under 5 U.S.C. 5545b (as provided in 5 CFR 550.1305(b))
- Night differential for prevailing rate employees under 5 U.S.C. 5343(f)
- An overtime supplement for regularly scheduled overtime within a Border Patrol agent's regular tour of duty under 5 U.S.C. 5550 (as required by 5 U.S.C. 5550(d)(1)(A))

# Rate of Basic Pay at Time of Separation

- An employee's rate of basic pay at time of separation is:
  - Used to derive 1 week's basic pay used in computing basic allowance and age adjustment allowance
  - Used to derive severance payment for biweekly pay period
- Generally, use the rate of basic pay in effect immediately before separation

# Rate of Basic Pay at Time of Separation (Continued)

If employee's rate of basic pay varies over time (due to variable work schedules), follow OPM regulations to compute a weekly average for the last position held by the employee during the 26 biweekly pay periods immediately preceding separation (5 CFR 550.707(b)). This applies to the following:

- Part-time employees whose established schedule (established for leave-charging purposes) varies over time
- Positions in which standby duty premium pay percentage varies over time;
- GS-0081 firefighter positions where the regular tour of duty varies based on a recurring cycle
- Prevailing rate employees receiving a night shift differential that varies based on a recurring cycle
- Employees with seasonal work schedules

# Creditable Service for Severance Pay Purposes

- Civilian service as an employee (as defined in 5 U.S.C. 2105), excluding time during a period of nonpay status that is not creditable for annual leave accrual purposes under 5 U.S.C. 6303(a)
- Service performed with the United States Postal Service or the Postal Regulatory Commission
- Service performed by an employee of a nonappropriated fund (NAF) 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
- Military service (including active or inactive training with the National Guard) and other service in the uniformed services that interrupts Federal civilian service when performed by an employee who returns to Federal civilian service through the exercise of a restoration right provided by law, Executive order, or regulation.

# Severance Pay Computation

## Basic Allowance

- full years of service (up to 10) x 1 week's basic pay
- + full years of service (over 10) x 2 weeks' basic pay
- + full quarter-years of service x 25% x [1 or 2] week's basic pay (where quarter-year is 3 months of time)

## Age Adjustment Allowance

= full quarter-years over age 40 x 2.5% x Basic Allowance

## Total Allowance

= Basic Allowance + Age Adjustment Allowance

## Severance Pay Fund

= Total Allowance, capped by 52-week lifetime limitation



# Example Severance Pay Computation

## 1. Employee Information

Description	Amount
Rate of basic pay	\$1,500 per week
Creditable service	20 years, 4 months (1 quarter-year)
Age	45 years, 8 months (2 quarter-years)

## 2. Basic Allowance Based Creditable Service

Description	Amount
first 10 years $\times$ \$1,500	\$15,000
10 additional full years $\times$ 2 $\times$ \$1,500	\$30,000
1 quarter-year $\times$ 25% $\times$ 2 $\times$ \$1,500	\$750
<b>Total Basic Allowance</b>	<b>\$45,750</b>

## 3. Adjusted Age Allowance

Description	Amount
5 years over 40	20 quarter-years
Additional 8 months	2 quarter-years
22 quarter-years $\times$ 2.5% $\times$ \$45,750	\$25,162.50
<b>Total Adjusted Age Allowance</b>	<b>\$25,162.50</b>

## 4. Severance Pay Fund & Number of Weekly Payments

Description	Amount
Total Basic Allowance	\$45,750.00
Total Adjusted Age Allowance	\$25,162.50
<b>Total Allowance (Severance Pay Fund)</b>	<b>\$70,912.50</b>
<b>Total Number of weeks of Severance Pay to be paid</b>	<b>47.275 weeks</b>

# Severance Payment

- Paid at same intervals as salary was paid (generally biweekly)
- Generally, paid at rate equal to employee's biweekly rate of basic pay immediately before separation
- For employees for whom an average weekly rate of basic pay was used in computing the severance pay allowances, that average is used in computing the severance payment  
(See 5 CFR 550.709(e) for possible exception for seasonal employees)
- Deductions are made for income and Social Security taxes
- If severance pay is payable for a partial pay period—because the employee was involuntarily separated in the middle of a pay period or is reemployed in the middle of a pay period while receiving severance pay—follow OPM regulations in 5 CFR 550.709(a) to determine the accrued value of severance pay for covered days

# Suspension and Termination

- Severance pay is terminated when the employee's severance pay fund is exhausted
- Severance pay is suspended or terminated when reemployed by the U.S. Government or D.C. Government
  - if permanent appointment → terminate
  - if qualifying time-limited appointment → terminate
  - if nonqualifying time-limited appointment → suspend
- If a separated employee dies before severance pay fund exhausted, payments continue to be paid on a pay period basis to the employee's eligible survivor (5 U.S.C. 5595(e))

# References and Resources

## Legal References

- [5 U.S.C. 2105](#)
  - Definition of employee for severance pay purposes
- [5 U.S.C. 5595](#)
  - Severance pay law
- [5 CFR 550.701 through 550.713](#)
  - Severance pay regulations
- [5 CFR 210.102\(b\)](#)
  - Definition of tenure

## Resources

- [OPM Severance Pay Fact Sheet and FAQs](#)
- [OPM Severance Pay Estimation Worksheet](#)
- [OPM Reduction in Force Information](#)

# Questions?



# Leave and Other Paid Time Off



# Annual Leave – Lump-Sum Payment

- An agency must make a lump-sum payment for accumulated and accrued annual leave (including restored annual leave) upon separation or retirement
- Payment equals pay employee would have received had he or she remained employed until expiration of the period of annual leave
- The period of leave used to calculate lump-sum payment may not be extended due to any holiday occurring after separation

# What is included in the Lump-Sum Payment for Annual Leave?

- Rate of basic pay
- Locality pay or other similar geographic adjustment
- Within-grade increase (if waiting period met on date of separation)
- Across-the board annual adjustments
- Administratively uncontrollable overtime pay, availability pay, and standby duty pay
- Night differential (for FWS employees only)
- Regularly scheduled overtime pay under the Fair Labor Standards Act for employees on uncommon tours of duty
- Supervisory differentials
- Nonforeign area cost-of-living allowances and post differentials
- Foreign area post allowances



# Refunding Lump-Sum Payment

If the employee is reemployed during the lump-sum leave period—

- restored annual leave is not subject to refund
- employee must refund amount equal to the pay covering the period between the date of reemployment and the expiration of the lump-sum period (after subtracting hours of restored annual leave, if any)
- annual leave equal to the leave represented by the refund is reccredited to the employee once the full refund is paid

# Sick Leave

- The sick leave balance remains to the employee's credit upon separation
- If the employee's separation is a result of retirement, any remaining sick leave will be used in the calculation of the employee's annuity
- If the employee is reemployed, the sick leave may be reccredited if it was not used in the computation of an annuity
- Unused sick leave may not be included in any lump-sum payment

# Advanced Annual Leave and Advanced Sick Leave

- An advanced leave indebtedness must repaid to the agency upon separation or retirement by —
  - refunding the amount of advanced leave
  - having the agency deduct the amount owed from any pay due the employee
- However, if the employees dies, retires for disability, or is separated or resigns because of disability, the repayment requirement does not apply
- The agency determines whether an employee has separated or resigned because of disability

# Disabled Veteran Leave (DVL)

- The disabled veteran leave balance remains to the employee's credit upon separation or retirement during the employee's 12-month DVL eligibility period
- If the employee is reemployed during this eligibility period, the DVL balance is reccredited
- If the employee is not reemployed within this eligibility period, the balance is forfeited
- Unused DVL may not be included in any lump-sum payment

# Donated Annual Leave – Voluntary Leave Transfer and Voluntary Leave Bank Programs

- Unused donated annual leave under a VLTP or a VLBP is returned to the leave bank or leave donor(s), respectively, upon separation or retirement because the employee's medical emergency terminates (for VLTP or VLBP purposes) when the employee separates from Federal service
- Unused donated annual leave may not be included in the employee's lump-sum payment for annual leave or be reccredited if the employee is later reemployed

# Donated Annual Leave – Emergency Leave Transfer Program

- Unused donated annual leave under an ELTP is returned to the source of the donation—i.e., the leave donors or the leave bank, as applicable, upon separation or retirement because the disaster or emergency affecting the employee terminates (for ELTP purposes) when the employee separates from Federal service
- Unused donated annual leave under an ELTP may not be included in an employee's lump-sum payment for annual leave or reccredited to an employee who is later reemployed

# Paid Parental Leave

- Any paid parental leave balance remains to the employee's credit upon separation or retirement during the employee's 12-month eligibility period after the qualifying birth or placement
- If the employee is reemployed during this eligibility period, the PPL balance is reccredited
- If the employee is not reemployed within this eligibility period, the balance is forfeited
- Unused PPL may not be included in any lump-sum payment

# Parental Bereavement Leave

- The parental bereavement leave balance remains to the employee's credit upon separation during the employee's 12-month eligibility period
- If the employee is reemployed during this eligibility period, the bereavement leave balance is reccredited
- If the employee is not reemployed within this eligibility period, the balance is forfeited
- Unused parental bereavement leave may not be included in any lump-sum payment



# Military Leave

- The military leave balance under 5 U.S.C. 6323(a) is forfeited upon separation or retirement
- If the employee is reemployed during the same or immediately succeeding fiscal year in which the employee separated or retired, the gaining agency recredits to the employee any military leave under section 6323(a) to which the employee is entitled at the time of reemployment
- If the employee is not reemployed during the same or immediately succeeding fiscal year in which the employee separated or retired, there is no authority to recredit the military leave if the employee returns to Federal employment at a later date
- Unused military leave under section 6323(a) may not be included in any lump-sum payment

# Home Leave

- The home leave balance remains to the employee's credit for 90 days after separation
- If the employee is reemployed within 90 days, the balance is reccredited
- If the employee is not reemployed within 90 days, the balance is forfeited
- Unused home leave may not be included in any lump-sum payment

# Questions?



# Credit Hours

- A full-time employee who separates or retires will be paid for a maximum of 24 unused credit hours at his or her current rate of basic pay when Federal employment ends
- A part-time employee who separates or retires receives basic pay for unused credit hours that are not in excess of one-fourth of the hours in the employee's biweekly basic work requirement

# Compensatory Time Off – Fair Labor Standards Act (FLSA)-Exempt

- Unused compensatory time off under 5 U.S.C. 5543 for an FLSA-exempt employee may be —
  - paid to the employee upon separation or retirement or
  - forfeited, depending on the agency's policy (5 CFR 550.114(f))
- Unused compensatory time off hours must be paid out if the employee separates due to uniformed service or compensable workplace injury
- Any payment provided is at the overtime rate in effect when the hours were earned

# Compensatory Time Off – Fair Labor Standards Act (FLSA)-Nonexempt

- Unused compensatory time off for an FLSA-nonexempt employee must be paid out upon separation or retirement
- Any payment provided is at the overtime rate in effect when the hours were earned



# Compensatory Time Off for Travel

Compensatory time off for travel is typically forfeited upon separation or retirement (with certain exceptions for employees who separate to perform uniformed service or due to compensable workplace injury).

# Compensatory Time Off for Religious Observances

- Religious compensatory time off hours earned but not yet used must be paid out upon separation or retirement at the hourly rate of basic pay in effect at the time they were earned (5 CFR 550.1008(a))
- Religious compensatory time off hours used but not earned prior to separation or retirement create an indebtedness of the employee to his or her agency
- The losing agency may reduce or eliminate the debt owed by a charge to the employee's annual leave, earned credit hours, compensatory time off in lieu of regular overtime pay, compensatory time off for travel, or time-off awards, based on agency policy
- Any remaining negative balance must be charged to leave without pay and the resulting indebtedness is subject to the agency's debt collection procedures (5 CFR 550.1008)



# Time Off Award

- Unused time-off awards are forfeited upon separation or retirement
- Time-off awards may not be converted into cash payments

# Important Leave-Related Documentation for Employees to Keep

- When separating from Federal service, employees should be reminded to keep a copy of their —
  - final leave and earnings statement (LES) and
  - SF 1150, Record of Leave Data upon Separation or Transfer
- These documents can be used to substantiate an employee's leave balances if for any reason the agency's copies of the employee's records cannot be located

# Resources for Leave Programs

- [OPM's Leave Fact Sheets](#)
- Leave Statutes - [5 U.S.C. chapter 63](#)
- Leave Regulations - [5 CFR part 630](#)
- Lump-Sum Payment Statutes – [5 U.S.C. chapter 55, subchapter VI](#)
- Lump-Sum Payment Regulations – [5 CFR part 550, subpart L](#)

# Resources for Other Paid Time Off

- [OPM's Pay Administration Fact Sheets](#)
- Credit Hours
  - Statute – [5 U.S.C. chapter 61, subchapter II](#)
  - Regulations – [5 CFR 610 subpart D](#)
- Compensatory Time Off (all types)
  - Statute – [5 U.S.C. chapter 55, subchapter V](#)
  - Regulations – [5 CFR part 550](#)
- Time Off Awards
  - Statute – [5 U.S.C. 4502\(e\)](#)
  - Regulations – [5 CFR 451 subpart A](#)

# Questions?



# The Reduction in Force (RIF) Learning Series

## RIF Policy Advisory Team

The U.S. Office of Personnel Management (OPM) invites Federal HR practitioners to learn about Reduction in Force (RIF) procedures and best practices.

A free, government-wide learning series available on [Eventbrite](#)\* for all Federal HR practitioners.

**\*must have a .gov or .mil to register**



**Upcoming Events - Check back at our series collection for updates!**

**April 24 – Benefits for Separated Employees Part 2: Health and Life Insurance and Retirement:** Learn about FEHB, FEDVIP, FEDGLI, FSAFEDS, and Retirement for separated employees from OPM’s subject matter experts.

***These learning series do not advise on individual employment matters.***



# Thank You

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**Please take a moment to complete a short survey** to provide your feedback on today's session:

<https://surveys.opm.gov/se/5B5534D4015068BB>



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