

**CALCULATION OF SEVERANCE PAY**

1. Severance pay is calculated in accordance with one of the following methods. Select the method producing the maximum amount.

a. Contract salary for current year + contract salary in each of the two preceding years / 3  
divided by 12 = One month's severance pay

b. Current year's contract salary / 12 = One month's severance pay

2. The total months of severance pay cannot exceed the following formula;

70 (or preselected early retirement age) - (Age of faculty member computed to nearest birthday) x 12

Example A: Professor Jones, age 62, 22 years of service; contract salary \$35,000; previous two year's contract salary \$32,000 and \$29,000. Professor Jones received no other salary from the University during this three-year period.

1. One month of severance pay calculation:

Alternative a.  $35 + 32 + 29 / 3$  divided by 12 x 1000 = \$2,670

Alternative b.  $35 / 12 \times 1000 = \underline{\$2,917}$

2. Total months of severance pay calculations:

Maximum months until retirement = (Retirement age minus Faculty age) x 12

$(70 - 62) \times 12 = \underline{96}$

Maximum months of severance pay:

First 8 years of service = 12 months severance pay.

Additional 14 years of service = 14 months severance pay.

Total = 22 years of service

12 months + 14 months = 26 months severance pay

3. Maximum severance pay until retirement:

\$2,917 severance pay / month x 26 months severance pay = \$75,842.

Example B: Professor Smith, age 68, 30 years of service; current contract salary \$30,000; two previous years' contract salary \$27,000 and \$24,000. Professor Smith's total salary for each of the three years was \$37,200, \$27,000 and \$29,400.

1. One month of severance pay calculation:

Alternative a.  $37.2 + 27 + 29.4 / 3$  divided by 12 x 1000 = \$2,600.

Alternative b.  $\frac{30 \times 1,000}{12} = \$2,500$

2. Total months of severance pay calculations:

Maximum months until retirement = (Retirement age - Faculty age) x 12

$(70 - 68) \times 12 = 24$

Maximum months of severance pay:

First 8 years of service = 12 months severance pay

Additional 22 years of service = 22 months severance pay

Total = 30 years of service

12 months + 22 months = 34 months severance pay

Maximum of 24 months severance pay limited by retirement.

3. Maximum severance pay until retirement calculations:

\$2,600 severance pay/month x 24 months severance pay = \$62,400.