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 x 1000 = $2,917

2. Total months of severance pay calculations:
   Maximum months until retirement = (Retirement age minus Faculty age) x 12
   (70 - 62) x 12 = 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. $30 x 1,000 = **$2,500**

2. **Total months of severance pay calculations:**

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

   (70 - 68) x 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**.