

Q&A Employee Benefits



Courtesy of Meridian Benefits Consulting

Q

Am I required to provide severance pay to terminated employees?

A

Employers are not legally required to provide severance pay to terminated employees unless company policies or employment contracts specify that severance pay will be provided.

Many employers offer severance pay, but in order to receive it, employees must typically sign a document releasing the company from any liability for termination. Severance pay and packages vary, but they often include some of the following:

- Payment for unused paid time off
- Payment based on length of service
- Payment in lieu of a required notice period

Employers should note that providing severance pay to some employees and not others could lead to charges of discrimination and other litigation. A nondiscriminatory, consistent severance policy should be established and followed.