

**WAC 415-112-4608 Is severance pay earnable compensation? (1)
Severance pay earned over time.**

(a) **Plan 1.** Severance pay must be earned over time in the same manner as annual leave or sick leave in order to be deferred compensation for services previously provided and to be reportable in Plan 1. Severance pay is earned over time if the employment contract(s) entered into at the beginning of the period of employment specify that a certain amount of severance pay will be earned in the coming year in consideration for services provided.

Example: Mr. Jones is a TRS Plan 1 member employed as a school administrator. Since the beginning of his term of employment with the district, his contract has specified that he will earn one week of severance pay for every year of his employment. The earned severance pay will be paid at the time of his separation. His severance pay is earnable compensation. When Mr. Jones retires, the two weeks severance pay that he earned during his two highest paid years (i.e., one week per year for two years) will be included in his TRS Plan 1 retirement calculation.

(b) **Plans 2 and 3.** All forms of severance pay are excluded from earnable compensation for Plans 2 and 3 by RCW 41.32.010(10).

(2) **Severance pay that is not earned over time.** Severance pay that is not earned over time is not earned for services provided and is not earnable compensation for Plan 1, 2 or 3.

Example: A school administrator and a school district negotiate a termination agreement. In the agreement, the school district agrees to pay the administrator a lump sum payment equal to two months salary as severance pay. The severance payment was not accrued over time in exchange for services provided, and therefore is not earnable compensation.

[Statutory Authority: RCW 41.50.050(5) and 41.32.010(10). WSR 05-12-108, § 415-112-4608, filed 5/27/05, effective 6/27/05. Statutory Authority: RCW 41.50.050. WSR 00-10-015, § 415-112-4608, filed 4/21/00, effective 5/22/00; WSR 98-09-059, § 415-112-4608, filed 4/17/98, effective 5/18/98; WSR 97-03-016, § 415-112-4608, filed 1/6/97, effective 2/6/97.]