

**IOWA WORKFORCE DEVELOPMENT
UNEMPLOYMENT INSURANCE APPEALS**

68-0157 (9-06) - 3091078 - EI

JESSICA M JOHNSON
Claimant

APPEAL NO. 09A-UI-06669-LT

**ADMINISTRATIVE LAW JUDGE
DECISION**

COVENANT MEDICAL CENTER
Employer

OC: 01/25/09
Claimant: Appellant (2)

Iowa Code § 96.5(5) – Severance Pay

STATEMENT OF THE CASE:

The claimant filed a timely appeal from the April 24, 2009, reference 01, decision that deducted severance pay from benefits. After due notice was issued, a telephone conference hearing was held on May 27, 2009. Claimant participated with her mother Karen Johnson, who also acted as her representative. Employer participated through Suzanne Burt. Employer's Exhibit 1 was received. Claimant's Exhibit A, sub parts 1 and 2, was admitted to the record.

ISSUE:

The issue is whether severance pay was correctly deducted from benefits.

FINDINGS OF FACT:

Having heard the testimony and having reviewed the evidence in the record, the administrative law judge finds: Claimant was separated on January 19, 2009 due to a reduction in force (RIF). She was paid for unused accumulated paid time off (PTO), which includes non-prorated time for sick leave, vacation, holidays and any other type of leave but employer did not report it. She received three weeks' severance pay equivalent to one week for every year of service. In order to be entitled to the \$2,325.60 she was required to sign a severance agreement not to pursue any legal action and maintain confidentiality. (Claimant's Exhibit A, sub part 2) Severance pay is generally defined as money paid to an employee who is dismissed because of lack of work or other reasons beyond the employee's control.

REASONING AND CONCLUSIONS OF LAW:

For the reasons that follow, the administrative law judge concludes claimant did not receive severance pay.

Iowa Code § 96.5-5 provides:

An individual shall be disqualified for benefits:

5. Other compensation. For any week with respect to which the individual is receiving or has received payment in the form of any of the following:

a. Wages in lieu of notice, separation allowance, severance pay, or dismissal pay.

b. Compensation for temporary disability under the workers' compensation law of any state or under a similar law of the United States.

c. A governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment made under a plan maintained or contributed to by a base period or chargeable employer where, except for benefits under the federal Social Security Act or the federal Railroad Retirement Act of 1974 or the corresponding provisions of prior law, the plan's eligibility requirements or benefit payments are affected by the base period employment or the remuneration for the base period employment. However, if an individual's benefits are reduced due to the receipt of a payment under this paragraph, the reduction shall be decreased by the same percentage as the percentage contribution of the individual to the plan under which the payment is made.

Provided, that if the remuneration is less than the benefits which would otherwise be due under this chapter, the individual is entitled to receive for the week, if otherwise eligible, benefits reduced by the amount of the remuneration. Provided further, if benefits were paid for any week under this chapter for a period when benefits, remuneration or compensation under paragraph "a", "b", or "c", were paid on a retroactive basis for the same period, or any part thereof, the department shall recover the excess amount of benefits paid by the department for the period, and no employer's account shall be charged with benefits so paid. However, compensation for service-connected disabilities or compensation for accrued leave based on military service, by the beneficiary, with the armed forces of the United States, irrespective of the amount of the benefit, does not disqualify any individual, otherwise qualified, from any of the benefits contemplated herein. A deduction shall not be made from the amount of benefits payable for a week for individuals receiving federal social security pensions to take into account the individuals' contributions to the pension program.

871 IAC 24.13(3)c provides:

(3) Fully deductible payments from benefits. The following payments are considered as wages; however, such payments are fully deductible from benefits on a dollar-for-dollar basis:

c. Wages in lieu of notice, separation allowance, severance pay and dismissal pay.

871 IAC 24.13(4)b provides:

(4) Nondeductible payments from benefits. The following payments are not considered as wages and are not deductible from benefits:

b. Bonuses. The bonus payment is only nondeductible when based on service performed by the individual before the period in which the individual is also claiming benefits.

Since claimant is expected to waive employer's liability and maintain confidentiality about the separation, payment was not for a service provided in exchange for wages or as a way to ease the loss of income after a separation through no fault of the claimant, but was a contractual obligation. Payment in consideration of that obligation is not considered wages. Therefore, the liability waiver and confidentiality agreement consideration should not be deducted from benefits and the entire amount of "severance" pay was incorrectly defined and deducted. Benefits are allowed effective January 25, 2009.

DECISION:

The April 24, 2009, reference 01, decision is reversed. The claimant did not receive severance pay and the contract consideration was incorrectly defined and deducted.

Dévon M. Lewis
Administrative Law Judge

Decision Dated and Mailed

dml/pjs