

## Severance Solution®

# Cutting costs while extending the total severance period

A Fortune 500 manufacturing corporation with 22,000 employees announced restructuring plans that would result in the elimination of approximately 3,000 U.S.-based employees. The company wanted to provide meaningful benefits to its terminated employees while reducing the overall cost of its severance program.

### An insightful solution

The company hired Buck to assist with the design of its severance packages. Buck introduced Severance Solution, an outsourced consulting and administration solution for Supplemental Unemployment Benefit (SUB) plans. Severance Solution allowed the client to maintain its traditional formula for determining the number of weeks of base pay to be paid as severance while also reducing costs:

- SUB plan payments were exempt from FICA taxes (both employee and employer taxes)
- Payments were integrated with state unemployment insurance benefits so that terminated workers would receive full base pay replacement between the two sources of income
- If a terminated worker found new employment prior to the end of his severance period, 50 percent of the remaining weeks would be paid as a lump sum

While these standard features reduced the overall cost of severance benefits, the client wanted to provide a more meaningful benefit to those employees whose severance period was not long enough to allow them to find employment. Using the savings achieved from Severance Solution, the client was able to provide a four-week extension of benefits to any terminated employee who was still unemployed at the end of his or her severance period. This supplement directed the company's severance dollars to those former employees who were most in need of assistance while not providing windfalls to those who were able to secure employment more quickly.

**"Buck Consultants provided us with a solution that reduced costs while enabling us to provide a better benefit to our employees."**

– VP, Corporate HR

### Real world results

Though the company did not terminate as many employees as originally anticipated, it realized substantial savings in the costs associated with its overall severance program.

After the first 24 months, the client has seen a reduction in severance cost of approximately \$3.5 million, or 30 percent when compared with the cost of their prior severance program. Of the \$3.5 million saved, \$1.2 million was used to extend the severance period for those former employees in need.

### Let's talk

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