

Severance Solution® — Generate Savings While Fulfilling Your Promise



Given the current economic environment, many employers are reviewing their benefits and will be forced to make the difficult decision to shift additional costs and risks to employees. Our Severance Solution gives your company another option: one that saves you money while simultaneously providing a larger benefit to your employees.

Severance Solution provides your organization with an efficient turnkey approach that takes advantage of savings opportunities, is tax advantaged and realigns the severance benefit to provide equitable benefits that deliver 100% of base pay during your employees' severance period.

How it Works

Severance payments can result in a substantial cash flow requirement for companies. We can help your company reduce its cash flow requirement by paying the benefits on a tax advantaged basis. In addition, your employees' payments are increased.

- **Eliminate FICA and Medicare taxes:** Eliminate FICA taxes for severance payments through a Supplemental Unemployment Benefit (SUB) Plan and Trust. This option increases after tax benefits for workers and reduces tax liabilities for your organization.
 - Through the use of a Supplemental Unemployment Benefit Plan (SUB) and Trust you have the option to provide equitable benefits across the population and reduce windfall payments that occur in a typical severance plan. This has resulted in savings up to 50% for our clients.
- **New employment coordination:** Reduce or stop payments when a displaced worker finds new employment and no longer needs salary replacement.
- **Integrate with state unemployment:** Severance plan payments plus state unemployment payments can result in employees receiving up to 150% of base pay from employer-paid plans in some states. We'll help you avoid double-paying displaced workers and manage the differences in state unemployment benefits that creates an inequity for workers in different states.

Our Severance Solution is a fully outsourced service that reduces the administrative burden for the plan sponsor while allowing employers to redirect severance resources in higher value ways—from increasing COBRA subsidies and providing outplacement services to extending severance payments for those who remain unemployed. As well, the saving can also be used for subsidizing other benefits, or any other need the company may have.



Advantages

- Employer and employee tax savings
- Eliminate overpayments
- Significant cash savings
- Use savings to fund programs for retained workers
- Return value to shareholders
- Ease your administrative burden

Realized Savings

The proof is in the results. Severance Solution creates large savings while continuing to provide employees with 100% of pay during their period of severance. The following shows actual savings during the 2010 calendar year for several clients:

| | Terminations | Tax Savings | State Unemployment Integration | New Employment Coordination | Total Savings |
|----------------------|--------------|-------------|--------------------------------|-----------------------------|---------------|
| Client 1 (Half year) | 1,400 | \$691,000 | N/A | N/A | \$691,000 |
| Client 2 | 1,800 | \$907,000 | \$3,264,000 | \$653,000 | \$4,824,000 |
| Client 3 | 1,600 | \$664,000 | \$3,381,000 | \$942,000 | \$4,987,000 |
| Client 4 | 200 | \$267,000 | \$701,000 | \$86,000 | \$1,054,000 |
| Client 5 | 1,400 | \$1,134,000 | \$5,639,000 | \$420,000 | \$7,193,000 |

Our Services

- **Consulting.** We have the expertise to design, implement and manage your SUB plan to target benefits, reduce administrative risk and comply with state and federal guidelines.
- **Communications.** We have developed a full suite of communications materials that can be customized and personalized to educate severed employees about the plan, the services provided to them and their responsibilities.
- **Implementation.** We work directly with your payroll and HRIS departments to finalize the specifications, layout, and transmission method for the ongoing transfer of data between your systems and our proprietary system for employees currently eligible for the SUB plan. Within this system, we have developed a set of unemployment calculations on a state-by-state basis that are updated regularly.
- **Participant self-service.** Using IVR and/or our severance website, former employees can, in a very secure and private manner, update eligibility for continued SUB payments, review the history of confirmed eligibility transactions and link to state unemployment websites for further information. Our call center provides support to former employees participating in the plan.

Learn More

To find out more contact us at **1 866.355.6647** or hrservices@conduent.com.

www.conduent.com/hrservices

