Article 9.

Separation, Offboarding, and Reductions in Force.

§ 126A-9-1. Separation of employees.

The Commission shall establish policies on separation for positions subject to this Article, including the following:

(1) The separation of employees.
(2) Voluntary separation incentives.
(3) Furloughs of employees by placing them on temporary leave without pay in response to a loss of funding.
(4) Reductions in force. (2026-40, s. 1.)

§ 126A-9-2. Voluntary separation incentives.

An agency may reorganize and restructure its positions through a voluntary separation process that provides incentives to separate in accordance with Commission policy and subject to approval by the Office of State Budget and Management. (2026-40, s. 1.)

§ 126A-9-3. Reductions in force.

(a) Usage. – Agencies may use a reduction in force to reorganize its positions to better accomplish its functions or respond to a lack of work or shortage of funds. Agencies may use a reduction in force without a loss of funds and without eliminating any of the positions affected by the reduction in force.

(b) Notification. – Agencies shall notify employees to be affected by a reduction in force as soon as practicable and at least 30 days before the effective date of the reduction in force. (2026-40, s. 1.)

§ 126A-9-4. Reductions in force priority policy.

The Commission shall adopt policies governing the priority and salary rights of employees separated as a result of reduction in force. The policies shall provide that a separated employee who accepts a position in an agency shall not be paid a salary higher than the maximum of the salary range of the position accepted, except as provided in G.S. 126A-4-2. (2026-40, s. 1.)

§ 126A-9-5. Discontinued service retirement allowance and severance wages for certain employees.

(a) When the closing of an agency or a reduction in force will accomplish economies in the State Budget, the employees who were separated from employment as a result of the closure or reduction in force shall receive from the last employing agency either a discontinued service retirement allowance or severance wages if reemployment is not available. As used in this section, "economies in the State Budget" means economies resulting from elimination of a job and its responsibilities or from a lack of funds to support the job. The agency head shall determine whether to pay a discontinued service retirement allowance or severance wages, after the opportunity for consultation with the Director of the Office of State Budget and Management and OSHR. Severance wages shall not be paid to an employee who chooses a discontinued service retirement. Severance wages shall not be subject to employer or employee retirement contributions. Severance wages shall be paid according to the policies established by the Commission.

(b) Notwithstanding any other provisions of the State's retirement laws, any employee (i) who is a member of the Teachers' and State Employees' Retirement System or the Law

Enforcement Officers' Retirement System and (ii) whose job is involuntarily terminated as a result of economies in the State Budget may be entitled to a discontinued service retirement allowance, subject to the approval of the employing agency and the availability of agency funds. An unreduced discontinued service retirement allowance, not otherwise allowed, may be approved for employees with 20 or more years of creditable retirement service who are at least 55 years of age, or a discontinued service retirement allowance, not otherwise allowed, may be approved for employees with 20 or more years of creditable retirement service who are at least 50 years of age, reduced by one-fourth of one percent (1/4 of 1%) for each month that retirement precedes the employee's fifty-fifth birthday. In cases where a discontinued service retirement allowance is approved, the employing agency shall make a lump sum payment to the Administrator of the State Retirement Systems equal to the actuarial present value of the additional liabilities imposed upon the System, to be determined by the System's consulting actuary, as a result of the discontinued service retirement, plus an administrative fee to be determined by the Administrator, plus an amount to be deposited in the Retiree Health Benefit Fund. The amount to be deposited in the Retiree Health Benefit Fund shall be calculated by multiplying the number of years between the employee's date of discontinued service retirement and the employee's earliest unreduced retirement date under G.S. 135-5 by the most recent employer contribution rate to the Retiree Health Benefit Fund and then, if the employee is or would be eligible for retiree medical coverage under the State Health Plan for Teachers and State Employees, multiplying that figure by the salary used in the discontinued salary retirement calculation.

(c) The salary used to determine severance wages under this section is the last annual salary except that if the employee was promoted within the previous 12 months, the last annual salary is the annual salary prior to the promotion. If the annual salary prior to the promotion is used, it shall be adjusted to account for any across-the-board legislative salary increases. Excluded from any calculation are any benefits such as overtime pay, shift pay, holiday premium, or longevity pay. The salary used to determine the discontinued retirement allowance under this section is the same as the average final compensation under G.S. 135-1(5).

(d) Any employee separated from an agency and paid severance wages under this section shall not be employed under a contractual arrangement by any agency, other than the constituent institutions of The University of North Carolina and the community colleges, until the end of the time period through which the employee is receiving severance. This subsection does not affect any reduction in force rights that the employee may have under this Article. (2026-40, s. 1.)