

What Terms are Generally Found in a Severance Package?



Employees departing from a job (voluntarily or involuntarily) may receive a **severance package**. Why? Because the Company has decided that it is in the Company's best interest to have the employee sign a document with certain specific terms that are protective to the employer. Some Company's have a severance "policy" while others believe offering employees severance makes good business sense. Regarding the latter, many Company's feel that in providing employees severance (sometimes even a minimal amount of pay), the employer is generally obtaining peace of mind that the former employer will not raise any claims in a government agency or in court against the employer.

So what terms are generally found in a severance agreement? Below are just a few of the many terms that can appear:

* **Consideration** – the amount the employee is to be paid in severance, the payment structure and possibly payment of employee's health insurance or COBRA;

* **General Release of Claims** – employee to release the company (as well as its directors, officers, parent, subsidiary, etc,) from any claims from the beginning of the world until the date of signature;

* **Confidentiality** – employee’s agreement to keep the terms of the severance offer and the circumstances of their departure confidential;

* **Non-Disparagement** – employee’s agreement not to disparage or say anything bad (verbally or on social media) about the employer (officers, directors, parent subsidiary, etc.);

* **No Re-Hire** – employee agrees not to seek employment with the employer (parent, subsidiary, etc,) at a later date;

* **Cooperation** – employee agrees to cooperate with the employer should employer need transition assistance or if the employee has information the employer needs at a later date;

* **Non-Compete / Non-Solicitation** – employer restates any continuing obligation the employee has previously agreed to by written document or establishes new terms that the employee is being asked to agree to in conjunction with the signing of the severance agreement;

* **Choice of Law/ Arbitration** – employer sets out what Court

and what law applies to the agreement and/or the requirement that the employee arbitrate any claims that may be raised;

* **Effective Date of Agreement** – the agreement will set forth the time period the employee has to review the agreement and whether the employee can revoke their signature;

* **Right to Consult with Counsel** – the agreement should state that the employee has a right to have the document reviewed with an attorney prior to signing the agreement. A severance package is an enforceable legal document. **Any employee who receives a severance package should have the agreement reviewed prior to signature so as to understand the terms within**, if there is any opportunity to increase the offer and what, if any, concerns the attorney sees regarding the language in the agreement and the basis for the employee's termination / resignation.

Click here to schedule a consultation with Sheree Donath to have your severance package reviewed or learn more about your rights and options as an employee or former employee.