

REMINDER: Severance Pay Offset to Unemployment Compensation Benefits Takes Effect January 1, 2012 In Pennsylvania

December 30, 2011 by [Adam Santucci](#)

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As a reminder, amendments to the Pennsylvania Unemployment Compensation Law that provide for severance pay offsets against unemployment compensation benefits take effect January 1, 2012. We [discussed in a prior post](#) the amendments' definition of "severance pay" and how the severance pay offset will be calculated.

Please note that severance agreements reached between an employer and employee in 2011 should not impact the employee's unemployment compensation benefits, even if the severance pay continues into 2012. The offset will apply, however, to agreements reached on or after January 1, 2012.

Some questions still exist regarding how exactly the offset will be calculated and implemented. For example, it is unclear how the Pennsylvania Department of Labor and Industry will treat payments made by an employer directly to a former employee's attorney as part of a separation or settlement agreement. We expect that some of these questions will be answered in the near future through implementation, the issuance of additional guidance from the Department of Labor and Industry, or litigation. In the meantime, employers and employees alike should be aware of the new rules regarding severance and unemployment compensation benefits when making post-employment plans that include severance.

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