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Court Holds That Grounds for Automatic Termination Under a School Foundation's Articles of Incorporation Do Not Terminate Employment Without a Separate Termination Notice

(Supreme Court Decision 2024*Da*206043 dated September 3, 2026; Suwon District Court Decision 2026*Gahap*1143 dated September 16, 2026)

1. Background and Issues

The plaintiff was hired as an administrative employee by a school foundation in 1992 and worked at two universities operated by the foundation until reaching the mandatory retirement age in July 2024. During the plaintiff's employment, a criminal judgment sentencing the plaintiff to six months' imprisonment without prison labor, suspended for two years, became final in April 1999. At the time, the foundation's articles of incorporation provided, among others, that if a person was sentenced to imprisonment without prison labor or a heavier penalty with the sentence suspended and two years have not elapsed after the suspension period ended would be disqualified from employment. The articles further provided for automatic termination of employment if an employee became subject to such disqualification during employment.

After the plaintiff retired upon reaching the mandatory retirement age and applied for retirement benefits, the Korea Teachers Pension (the defendant) discovered the 1999 criminal judgment. The school foundation subsequently issued notices stating that the plaintiff had been automatically terminated from employment at each university in April 1999. The defendant therefore refunded only the plaintiff's individual pension contributions and declined to pay retirement pension benefits or a retirement allowance. The plaintiff filed a lawsuit against the defendant seeking confirmation of entitlement to both a retirement allowance and retirement pension benefits based on the mandatory retirement date of July 31, 2024.

The central issue was whether the occurrence of a ground for automatic termination under the foundation's articles of incorporation was sufficient, by itself, to terminate the employment relationship of a private school administrative employee.

2. Court's Holding and Reasoning

The court held that the plaintiff's employment relationship with the school foundation had continued until the mandatory retirement date and confirmed the plaintiff's entitlement to a retirement allowance and retirement pension benefits.

The court reasoned that the relationship between a school foundation and its administrative employees is fundamentally a private-law employment relationship and is therefore, in principle, governed by the Labor Standards Act. Where a ground for automatic termination does not constitute an event that automatically ends an employment relationship under the Act—such as death, mandatory retirement, or expiration of a fixed-term employment contract—termination on that ground constitutes a dismissal under the Labor Standards Act. Accordingly, the employment relationship ends only when the employer communicates its intention to terminate it. The court also noted that a foundation's articles of incorporation are internal rules of self-governance and cannot generally be regarded as having mandatory legal effect against external parties.

In this case, the school foundation had not taken any separate action to terminate the plaintiff's employment after the criminal judgment became final, and the plaintiff continued working normally until reaching the mandatory retirement age. The foundation's subsequent notices of automatic termination and cancellation of appointment were issued only after the employment relationship had already ended upon mandatory retirement. The court therefore held that those notices could not retroactively establish April 1999 as the date of termination.

The court also found that the plaintiff could not be compared on an equal basis with public officials or private school teachers in this respect. At the time of the plaintiff's appointment, the grounds for disqualification from appointment and automatic termination applicable to public officials and private school teachers were expressly prescribed by statute, whereas those applicable to private school administrative employees were left to the foundation's articles of incorporation. The court further considered that a provision of the Private School Act applying the rules governing automatic termination of private school teachers to administrative employees was not introduced until 2015 and applied only to grounds arising after the provision took effect.

On that basis, the court also rejected the defendant's argument that the limitation period for the plaintiff's retirement allowance claim had begun running in April 1999 and that the claim was therefore time-barred.

3. Implications

This decision is significant for applying established legal principles governing automatic termination of employment to

such provisions in a school foundation's articles of incorporation. Where a ground for automatic termination specified in an employer's rules of employment or other internal regulations does not itself constitute an event that automatically ends the employment relationship by operation of law, termination on that ground is treated as a dismissal under the Labor Standards Act. The employment relationship therefore continues unless and until the employer communicates its intention to terminate it.

In particular, the decision clarifies that the mere occurrence of a ground for automatic termination under a school foundation's articles of incorporation does not, by itself, end the employment relationship, as those articles are internal rules of the foundation rather than provisions having mandatory legal effect against external parties.

Employers whose rules of employment or articles of incorporation contain automatic termination provisions should therefore clearly communicate their intention to terminate the employment relationship, such as through a termination notice, when a relevant ground arises.

Key Contacts

Young Seok Ki
Partner

+82-2-316-4021
ysgi@shinkim.com

Jong Soo Kim
Partner

+82-2-316-1678
jsokim@shinkim.com

Sery Lee
Partner

+82-2-316-4034
srlee@shinkim.com

Chanyoung Cho
Partner

+82-2-316-4109
cyocho@shinkim.com

Anthony Chang
Senior Foreign Attorney

+82-2-316-4258
achang@shinkim.com

Katie Younglee Tak
Foreign Attorney

+82-2-316-1685
ktak@shinkim.com

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