

# Special Report

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## Highlights

- **63% of Boston's police officers and 25% of the City's firefighters were paid earnings of \$100,000 or more in 2006.**
- **Boston's average teacher salary is the highest in the state. Police wages are in the top tier nationally.**
- **Escalating pension costs due to high salaries and longer retirements may require a reassessment of future pension benefits.**

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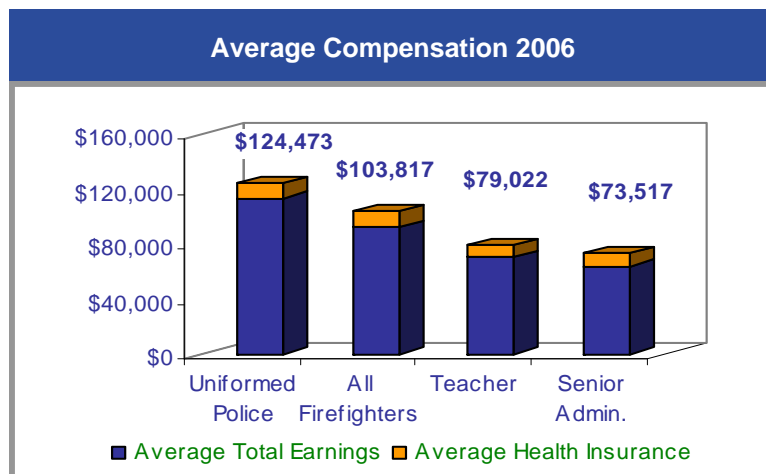
## Boston's Employee Earnings in 2006

*Higher Earnings Put More Focus on the Affordability of Generous Benefits*

Spending for personnel by the City of Boston increased by 16% over the past three years. That fact caused the Research Bureau to raise the caution flag in a recent report (*Caution Ahead - Boston's Rising Personnel Costs*) about health benefit costs and increasing employee levels. The increased spending for personnel in three years is attributable to the escalating costs of employee benefits, the increase of 661 positions and contract salary increases. This report analyzes the average compensation received by selected city employee groups in calendar 2006 to help explain why control over the number of employees and the increase of salary and benefit costs in contract negotiations is so important to Boston's long-term fiscal health.

The City of Boston is very competitive in today's labor market based on the compensation earned by city employees in calendar 2006 as a result of its negotiated employee contracts. Compensation is defined as the average earnings of an employee group and the City's share of the predominate health insurance plan choice by union. As such, the average years of service of an employee group affects the earnings figure. Not included in these figures is the cost of pensions for employees. In 2006:

- A uniformed police officer's average compensation was \$124,473.
- The average compensation for patrol officers (BPPA) was \$112,717.
- For all firefighters (chief through firefighter), the average compensation was \$103,817 and for firefighters only, it was \$96,165.
- A Boston school teacher's average compensation was \$79,022 and for a Senior Administrative Analyst in the middle managers union (SENA), it was \$73,517.



## Compensation Methodology

The 2006 average compensation for selected positions was developed from information provided by the City of Boston's employee earnings report for calendar 2006. Employees who worked a partial year or were on extended leave because of service in the military, for example, were excluded from the sample if their regular earnings fell below an established benchmark based on a full year's salary for that position. When appropriate, overtime, paid detail and differentials were included for certain positions. This process established an average total earnings figure for each position in this report. Compensation is calculated by adding to the earnings figure the City's contribution to the employee's health insurance plan based on the most selected plan choice for each union in the employee group using the average of the fiscal 2006 and fiscal 2007 rates. Paid detail earned by police officers and firefighters is included because it represents an integral part of the compensation. The expense is not paid by the City but by businesses and other entities required to hire the details. The requirement of exclusively using uniformed officers for this service adds to the higher cost of doing business in Boston.

### Uniformed Police Officer

The average Boston uniformed police officer received earnings totaling \$113,470 in calendar 2006. Adding the City's contribution for health insurance brought the average compensation for a uniformed police officer to \$124,473 in 2006. The sample size for the uniformed police group was 1,998 officers and excluded 287 for reasons explained above.

The average regular salary for a uniformed police officer was \$77,258 including Quinn Bill education incentive payments. Average total earnings also include overtime, paid detail and a \$650 uniform allowance. The chart below details the average earnings of a uniformed police officer including all ranks and also for all officers receiving Quinn Bill salary increases. Officers with Quinn Bill eligible degrees made an average of \$9,248 or 8.2% more than the average earnings of all officers. The average uniformed police officer is 43 years old with 15 years of service in the department.

Police Average Earnings 2006		
Earnings Category	Police (all ranks)	Quinn Eligible
<b>Total</b>	<b>\$113,470</b>	<b>\$122,717</b>
Regular/Quinn	\$77,258	\$84,928
Overtime	\$20,471	\$22,557
Detail	\$14,937	\$14,425
Other	\$804	\$807

A total of 1,307 uniformed police officers in the sample received Quinn Bill educational incentive payments that totaled \$18.5 million in 2006 with the state reimbursing one-half of the cost. Depending on degree attained, each officer can receive a Quinn Bill payment from 10% to 25% of his or her salary and the amount received is pension eligible. As the salary increases, the Quinn Bill payment increases.

The average earnings rise substantially corresponding to the rank of the officer.

Police Earnings by Rank 2006				
Earnings Category	Police Captains	Police Lieutenants	Police Sergeants	Patrol Officers
<b>Total</b>	<b>\$187,476</b>	<b>\$160,073</b>	<b>\$141,112</b>	<b>\$102,314</b>
Regular	\$115,667	\$95,686	\$82,565	\$61,390
Quinn*	\$24,084	\$20,088	\$15,597	\$6,504
Overtime	\$41,960	\$30,177	\$29,927	\$15,951
Detail	\$5,113	\$13,443	\$12,287	\$17,624
Other	\$652	\$679	\$736	\$845

\* Averages include officers not receiving Quinn payments

The average compensation in 2006, including health insurance, was \$198,479 for captains (22), \$171,075 for lieutenants (73), \$152,115 for sergeants (286) and \$112,717 for patrol officers (1,347).

Overtime as well as paid detail are also significant components of the earnings received

by uniformed police officers. Uniformed police in the sample were paid earnings totaling \$226.7 million. Overtime earnings were \$40.9 million or 18% of this total, while paid detail earnings were \$29.8 million or 13% of the total earnings received by uniformed police officers.

In 2006, 13% of the 1,998 uniformed police officers in this sample were paid earnings totaling \$150,000 or more, and 63% of the 1,998 made \$100,000 or more. Including the City's contribution to health insurance, 19% of uniformed police officers were compensated \$150,000 or more in 2006, and more than three-quarters received compensation equal to or above \$100,000.

Boston police wages are very competitive locally and nationally according to data from police departments in 14 comparable cities. Boston ranked second out of 14 for the starting wage of an entry level police officer. This wage data does not include education incentives (Quinn Bill), paid detail or overtime which would only bolster Boston's rank further. For example, the average detail earnings for a Boston police officer in 2006 was \$14,937.

### Firefighter

Boston firefighters made an average of \$92,756 in total earnings in 2006. Including the City's average contribution to health insurance, firefighters were compensated \$103,817 on average. The sample used to calculate this average consists of 1,560 IAFF union members (deputy chiefs, district chiefs, captains, lieutenants, and firefighters), and excludes only 74 firefighters. The chart below details the average composition of a firefighter's earnings.

Firefighter Average Earnings 2006	
Earnings Category	Firefighters (all ranks)
<b>Total</b>	<b>\$92,756</b>
Regular	\$79,675
Overtime	\$11,114
Detail	\$1,422
Other	\$545

The total average earnings of a firefighter include regular earnings, overtime, paid detail and a \$550 uniform allowance. The average regular earnings for all firefighters was \$79,675, but rose to \$92,756 when all other earnings were factored into the total. The average firefighter is 45 years old and has 16 years of service with the department.

As with uniformed police officers, the average total earnings of firefighter categories increased according to rank.

Firefighter Earnings by Rank 2006				
Earnings Category	District			
	Fire Chiefs	Fire Captains	Fire Lieutenants	Fire-fighters
<b>Total</b>	<b>\$136,354</b>	<b>\$118,666</b>	<b>\$101,248</b>	<b>\$85,105</b>
Regular	\$122,069	\$105,979	\$89,260	\$71,591
Overtime	\$13,706	\$11,875	\$11,221	\$11,059
Detail	\$55	\$277	\$213	\$1,910
Other	\$524	\$535	\$554	\$545

Factoring in the City's contribution to health insurance raised a district chief's (63) average total compensation to \$147,414, a captain's (90) to \$129,727, a lieutenant's (228) to \$112,308 and a firefighter's (1,083) to \$96,165.

The 1,560 firefighters in this sample earned a total of \$144.7 million in 2006. Detail payments account for only 2% of this total. However, overtime earnings totaled \$17.3 million or 12% of the total figure.

Over one-quarter of Boston's firefighters received total earnings of \$100,000 or more in 2006. When health insurance benefits are included, 55% received compensation greater than or equal to \$100,000.

### Teacher

The average compensation for a Boston public school teacher was \$79,022 in 2006. Excluding health insurance, the average earnings of a Boston public school teacher was \$70,096 in 2006. The average Boston public school teacher has worked in the district for 15 years and is 43 years old.

The 4,432 teachers sampled were compensated a total of \$350.2 million in 2006. Regular earnings account for \$310.7 million or 89% of this total with the remaining \$39.6 million or 11% representing health insurance benefits. One-quarter of the Boston public school teachers in this sample made \$80,000 or more in total earnings in 2006 and 56% received compensation, including health benefits, equal to or in excess of \$80,000.

Boston's teacher salaries are the highest in the Commonwealth. Boston's 2006 average salary of \$70,096 exceeds the statewide average of \$56,352 and the average salaries in communities such as Brookline, Cambridge and Wellesley.

### **Middle Managers**

Within the middle managers group represented by the SENA union, the senior administrative analyst category was selected for review. The average earnings of this group was \$63,944. Taking into consideration the City's contribution to health insurance, senior administrative analysts were compensated an average of \$73,517 in 2006.

The senior administrative analysts in this sample made regular earnings totaling \$1.67 million in 2006. This equates to 84% of the \$1.98 million received by them in compensation. Health benefits account for \$258,471 or 13% of the compensation received by senior administrative analysts, with the remaining 3% due to overtime earnings.

### **Pensions**

This report on 2006 city employee average earnings did not include pension benefits. To provide a more complete picture of the benefits of city employment, it is worthwhile to note that the annual average pension for a police officer who retired in 2006 was \$60,920. For a firefighter the average pension was \$66,822 and for a teacher it was \$53,390.

As salaries increase and employees retire earlier and live longer, Boston's employee pension costs will continue to escalate. This situation

may require a reassessment of current pension benefits at some point. Only 64.4% of the City's total pension liability was funded in 2006.

### **Conclusion**

The compensation paid to city employees today has grown significantly as a result of prior collective bargaining agreements and health insurance increases. The financial impact of salary and benefit decisions in past contracts is reflected in today's earnings and compensation expenses. For that very reason, ongoing negotiations should recognize Boston's existing highly competitive compensation position and the slow revenue growth anticipated in the next few years. Contracts not yet settled should not exceed the standard set by contracts already negotiated this year.

Boston's higher employee earnings bring into focus the more generous benefits characterized by defined pension benefits and the offering of annuity health insurance plans that are much less prevalent in the private sector. The prior justification of these benefits because of lower public salaries carries less weight today. The combination of higher earnings and generous benefits will continue to drive up personnel spending and eventually require a reassessment of employee benefits to manage escalating costs.

Boston's increasing pension costs and a new estimate of Boston's actuarial liability for the cost of retiree health insurance (OPEB) should have a sobering influence over future financial decisions, especially those involving employee levels, collective bargaining contracts and health benefits. The retiree health insurance liability is estimated to be \$2.5 billion assuming pre-funding the liability in a segregated reserve. That would have required the City to increase its funding for retiree health benefits this year by approximately \$80 million under a formal funding schedule. The Menino Administration has recommended creating a stabilization fund of \$20 million in fiscal 2008, a good start but the larger liability will need to be addressed in a reasonable time.