

April 2016

Hidden Compensation Adds to Employee Costs

Cash payments for accumulated benefit days not taken totaled \$30M in 2015

In 2015, the City of Boston paid \$30M to city employees for accumulated vacation, sick and personal days not used. Depending on the union contract, employees are able to redeem for cash specified vacation, sick and personal days annually or upon separation from service through resignation or retirement. The payout for days accumulated over several years are based on current salary rather than prorated for salary in the year the benefit was earned. These different compensation factors are not usually publicly noted and are hidden when describing employee costs only in terms of annual salary.

The City should evaluate the utility of the payment of unused sick and personal days and the proration of their cost in the year the days are earned as it begins negotiations on new collective bargaining contracts with its employee unions.

Boston Hidden Compensation

Fiscal 2015 / Dollars in 000's

Category	BPS	COB*	Total
Sick Leave Payout	\$9,753	\$3,646	\$13,399
Sick Lev. Buy Back	0	4,906	4,906
Vacation Payout	1,319	2,385	3,704
Vacation Buy Back	331	5,412	5,743
Pers. Day Payout	0	484	484
Pers. Day Buy Back	0	1,419	1,419
Total	\$11,403	\$18,252	\$29,655

* Personal Days payment for uniform Police and Fire only

Sick Days – At the time an employee leaves city service, the City, depending on the contract terms, will pay out a set percentage of the total

accumulated and unused sick days based on the employee's most recent annual salary. In calendar 2015, the total payout expense for accumulated sick days was \$13.4M paid to 729 employees for an average of \$18,380.

A feature of city union contracts enables employees to annually redeem (buy back) for cash up to five days for civilians and up to ten days for sworn personnel of the earned sick days that year at the current salary. This feature is not included in BPS contracts. The total buy back cost paid in 2015 was \$4.9M. That year, 2,664 employees received an average buy back of \$1,842.

Vacation Days – Vacation days are considered part of an employee's earned compensation and, upon separation from employment the City compensates all employees for any remaining vacation time based on the current salary level. In calendar 2015, the total vacation payout expense was \$3.7M paid to 444 employees for an average of \$8,344. A feature in the contracts for uniform police and fire personnel, city middle managers, and BPS administrators is the members' ability to buy back vacation days each year depending on years of service. The total buy back cost for annual vacation days redeemed in calendar 2015 was \$5.7M. Only the annual buy back vacation payments are pension eligible.

Personal Days – A benefit available only to uniform police and fire personnel is the payout for personal days accumulated or the buy back of personal days in the year the leave is earned. Only the latter is pension eligible. The cost in 2015 was \$1.9M.