

May 2014

Hidden Compensation Adds to Employee Costs

Total compensation for city and school employees extends beyond salary costs

The recent statement by the BRA Director that he will recommend a series of reforms to curb vacation and sick leave cash buyouts identified a few of the several forms of compensation negotiated in employee contracts, in addition to salary increases, that add to the annual cost of the contracts. These provisions include step increases, differential pay, career awards and longevity benefits, as well as cash “pay-outs” upon retirement or resignation and annual cash “buy-backs” (redemptions) for sick leave, vacation days, and personal days. These different compensation factors are not usually noted and are hidden when new contracts are reported and costs are described only in terms of annual salary increases.

Compensated Absences

Depending on the union contract, employees are able to redeem for cash specified vacation and sick days annually or upon separation from service through resignation or retirement based on the employees’ current salary level. The total cost of the redemption in cash of vacation and sick leave benefits totaled \$26M in calendar 2013.

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. If an employee dies, the pay-out amount is paid to the spouse or estate.

In calendar 2013, the total buy-out expense for accumulated sick days was \$13M paid to 662 employees for an average of \$19,661.

A feature of all contracts enables employees to annually redeem (buy-back) for cash up to the first five days for civilians and up to ten days for sworn personnel of the earned sick days each year at the current salary. The total buy-back cost for up to the five days was \$4.4M in calendar 2013. That year, 2,566 employees received an average buy-back of \$1,718.

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 2013, the total vacation pay-out cash expense was \$2.8M paid to 347 employees for an average of \$8,083. A recent feature of the police, firefighter and middle managers’ contracts is the members’ ability to buy-back vacation days each year depending on years of service. The total cash buy-back cost for annual vacation days redeemed in calendar 2013 was \$4.2M. These pay-out and buy-back vacation payments are pension eligible.

A more complete explanation of the various forms of compensation is included in the Bureau’s [City in Transition](#) report (Pgs. 57-59) that was released in April.