



A \$49 Million Sweetheart Deal: How MBTA Employee Unused Sick Time Perk Enhances Pensions

by Mary Connaughton

The result of a sweetheart deal won by the Carmen's Union paved the way for MBTA employees to enhance their pensions — potentially amounting to a whopping \$49 million for current staff as of December 31, 2014.

A 1975 arbitrators' decision granted members of the Carmen's Union the perk adding unused sick leave to creditable service for purposes of calculating pension payouts, a practice that expanded to all staff at the MBTA. The perk resulted in the addition of tens of millions to the T's pension liability and a strong incentive for staff not to use sick days for time absent from work.

Earned sick leave for T employees ranges from 12 to 15 days per year depending on an employee's classification. Unused days accumulate into employees' sick leave balances. The purpose of this analysis is to determine how the MBTA's sick leave policies impact retirement payouts and how that compares to state employee benefits.

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According to page 41 of the [2013 MBTA Retirement Fund Annual \(MBTARF\) Report](#):

At retirement, a member's unused sick leave is converted to creditable membership service, which when multiplied by 2.46% of the average of the three (3) best years, increases the retirement allowance. For example, sick leave of 150 days converts to 7 months of creditable membership service. However, unused sick leave cannot be used to determine service eligibility for retirement.

Unlike T employees, most state employees are compensated for 20 percent of their unused sick time at their current rate of pay at retirement.

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Using the MBTARF example of a 150-day sick leave balance, Pioneer calculated what both a T employee and a state employee would receive for their unused sick days once retired

MBTA Employee		State Employee	
Average 3 Years Highest Pay (\$80-82K)	\$81,000	Salary at Retirement	\$82,000
Number of Unused Sick Days	150	Number of Unused Sick Days	150
Assumed Average Years in Retirement	25	Number of Unused Sick Days Applicable to Payout (20%)	30
Additional Creditable Service from Unused Sick Leave (in years)	.58 years	Salary per Day Based on 260 Work Days	315
Multiplier per Union Contract	2.46%		
Sick Day Pension Boost per Year	\$1,150		
Total Pension Benefit of Sick Leave Assuming 25 years in Retirement	\$28,739	Total Unused Sick Time Payout at Retirement	\$9,462

Total Employee Pension Benefit over State Employee’s Payout for Unused Sick Leave - \$19,278

Value of Sick Leave Pension Benefit per Accumulated Sick Day	\$192	Value of Sick Time Leave Payout per Accumulated Sick Day	\$63
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T Employee Pension Benefit Over Unused State Employees Payout per Unused Sick Day - \$129



This analysis shows that if a T employee’s salary averages \$81,000 for his or her three highest paid years (\$80,000, \$81,000 and \$82,000) and a state employee retires at a current salary of \$82,000 and both employees have 150 unused sick days, the state employee receives an immediate payout of \$9,462 while the T employee’s total sick leave benefit over his or her retirement is \$28,739 — the result of adding seven months to creditable service to his or her pension calculation. The T employee’s unused sick leave benefit amounts to over three times the value of the state employee’s benefit. Accordingly, if the average T employee and state employee retire at or

near \$81,000 in average salary, each day of unused overtime at retirement is worth about \$129 more for the T employee than for his or her state counterpart.

In fact, the T employee’s total benefit in this example will actually be even greater since he or she will also likely receive pension cost-of-living adjustments.

Through a public records request to the MBTA, Pioneer Institute obtained the unused sick day balances of all T staff. As of December 31, 2014, balances ranged from zero to 407 days, totaling 380,155 days.

Using the \$129 per day incremental value of unused sick time for T employees compared to state employees, the value of this sweetheart deal for current employees as of December 31, 2014 to the heavily state-subsidized MBTA and its beleaguered retirement fund amounts to \$49 million. Sick leave provisions, like all compensation matters, are part of the collective bargaining process and subject to final and binding arbitration. The MBTA is the only agency in Massachusetts government that retains final and binding arbitration.

This analysis does not include the value of unused sick time to T employees who retired prior to December 31, 2014; nor does it include the value of sick time earned but not used in 2015 and 2016.

\$129

T employee benefit over state employees per unused sick day

380,155 days

Total MBTA unused sick leave balance at 12/31/14

\$49,039,995

Total incremental value of current MBTA employee's unused sick leave at 12/31/14