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Sick-time payouts spike as Minnesota state employee retirements rise

By MaryJo Webster
mwebster@pioneerpress.com
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James McCormick, left, retired as MnSCU chancellor in August. (Pioneer Press file photo: Ginger Pinson)

Searchable database: For an exhaustive DB of who got paid what, go to [this database](#).

State of Minnesota employees can go into retirement with an extra nest egg that's almost unheard of in the private sector.

Some get \$100 or less. A few get more than \$100,000. Most take home \$10,000 to \$30,000.

It all depends on whether an employee has an ironman-like career - rarely, if ever, calling in sick - and what that employee is paid.

Unused sick days paid out at retirement, most often into health care savings accounts, usually cost state government about \$14 million per year. But this year, Minnesota exceeded its annual sick time payout total by June 30. The reason: Thousands of workers took early-retirement incentives designed to trim the workforce and balance the budget.

Although paying out unused sick time is extremely rare in the private sector, it's common at all levels of government around the country. It's been the standard policy in Minnesota for at least 40 years, before state workers were unionized.

Criticism of the practice, though, is mounting nationwide. At least two ranking Minnesota legislators say it needs to be addressed here, too.

Between January 2008 and June 30, the state has paid out \$57 million in unused sick time to about 5,600 people, according to a Pioneer Press analysis of state severance payments. Though the payments make up less than 1 percent of what the state spends

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on salaries and benefits, a handful of employees - all from the Minnesota State Colleges and Universities system - got checks topping \$100,000.

sick time as a form of severance is good policy. It discourages sick-day abuse, offsets wages they say are lower than the private sector and serves as a reward for longtime, dedicated employees to help them pay for health care costs in retirement.

"The total money may appear large, but it's a lifeline for people," said Jim Monroe, executive director of the Minnesota Association of Professional Employees.

As Minnesota continues to deal with repeated budget deficits, Republicans in control of the Legislature have targeted state employee compensation for possible cuts. Leaders of a joint

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employee compensation for possible cuts. Leaders of a joint committee that reviews state employee contracts say they will "take an aggressive stance" in looking at all forms of compensation - including sick-time severance - as contracts come up for approval in the months ahead.

"We need to align public employees closely to the private sector as we move through these tough economic times," said Sen. Mike Parry, R-Waseca, chairman of the Legislative Subcommittee on Employee Relations.

AT THE TOP: \$120,000

Jon Quistgaard, who retired last year as president of Bemidji State University and Northwest Technical College, had the biggest payout of any state employee the past four years. His check for 30 years in Bemidji: \$126,500.

Quistgaard, who was making almost \$254,000 when he retired at age 62, didn't return calls for comment.

Two other MnSCU administrators - the former president of Minnesota State University-Moorhead and a vice chancellor for academic and student affairs - also retired with six-figure paychecks for unused sick time.

A salary cap that ties state employee pay to what the governor makes - \$120,303 since 1998 - makes it mathematically impossible for a state worker to get a six-figure payout from unused sick time, said Joel Ludwigson of Minnesota Management & Budget.

MnSCU, though, is exempt from the cap.

Where the top pay for the rest of state workers is \$51.91 an hour, at MnSCU, top administrators are making at least twice that amount. Quistgaard was earning about \$121 per hour when he retired.

Lori Lamb, MnSCU's vice chancellor for human resources, said the payments are part of the overall compensation package.

"In our world, we look at accountability and return on investment," Lamb said. "And the return on investment from these high-level administrators - and everybody on down the line - is really high."

Lamb noted that Quistgaard, after becoming president at Bemidji, also took the reins of Northwest Technical College, which enabled MnSCU to cut several administrator positions and save hundreds of thousands of dollars a year.

Contracts for state employees, including those not in a union, all have "severance pay" clauses. Eligibility varies, but typically the person needs to be at retirement age or have worked for the state for 20 consecutive years. In most cases, the payout for unused sick pay goes into a health care savings account, which is tax-free.

All of the plans set a limit on how much unused sick time can be paid out, and that is multiplied by the person's final pay rate. As a result, the largest checks tend to go to those with high salaries, long careers and few sick days used.

While Quistgaard's check for unused sick time was the most he could receive, it was for about a third of the time he accumulated because of the contract limits on payouts.

State managers received average payments of about \$21,000. Faculty at MnSCU's four-year colleges had average payments of about \$27,000, and faculty at two-year colleges averaged \$18,777. Members of the state's two largest unions, AFSCME and MAPE, averaged just \$3,500 and \$7,000, respectively.

"The system isn't broken, so let's not create a solution in search of a problem," said Eliot Seide, executive director of AFSCME Council 5, noting that it's not his union's membership taking home six-figure checks.

LOWER PAY IN THE PUBLIC SECTOR

The state and unions see the payouts as a way to offset wages, which they say fall below those in the private workforce.

But comparing public- and private-sector jobs for pay equity is difficult, researchers say. Many government jobs - fire fighters, police officers, game wardens, corrections officers - don't have an equivalent in the private sector.

A widely quoted study by a Rutgers University professor found that Minnesota's full-time public employees are underpaid by about 8 percent, when looking at both wages and benefits.

A closer look at the study, though, shows public workers with less than a high school diploma are overpaid by about 20 percent. And public workers with bachelor's degrees or higher are underpaid by 30 to 40 percent.

Lamb, who heads MnSCU's human resources, said the system has pay and benefit packages, particularly for administrators and faculty, that fall well below those at peer institutions elsewhere.

Former Metro State President Wilson Bradshaw, she said, garnered a salary 1.5 times greater when he left in late 2007 to take over as president of Florida Gulf Coast University in Fort Myers, Fla.

"We're struggling with competitiveness, and we're trying to find ways to fight that," Lamb said.

State Sen. Barb Goodwin, DFL-Columbia Heights, said state employee compensation is not out of line with the private sector and that, if anything, pay has gotten worse in recent years because of the lack of base salary increases.

"They have all the same job risks as everybody else," Goodwin said. "There was a time when having a civil-service job meant a job for life, but that's not the case anymore."

AN INCENTIVE, BUT A FLAWED ONE

Encouraging state employees to come to work, and not abuse sick leave if they had a "use it or lose it" policy, was likely the reason the payouts were included in civil service contracts predating collective bargaining, said Bill Tschida, former vice chancellor for human resources at MnSCU.

Tschida, who retired two years ago and received more than \$80,000 in unused sick pay after 36 years, said the policy has been in place now for so long that it would be hard to take it away.

"It's a well-thought-out incentive," said Russ Stanton, director of government relations for the Inter Faculty Organization, a union representing faculty at MnSCU's four-year colleges. "It prevents 'sick Mondays' and provides a way faculty members can build up a nest egg for retirement costs."

Most state workers don't get post-retirement health insurance, and they use the unused sick-day payments to cover medical costs until eligible for Medicare at age 65.

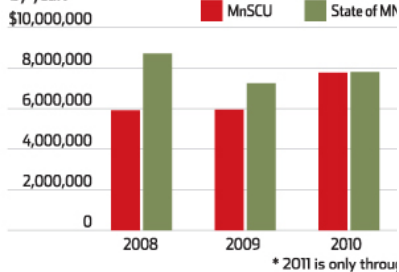
Even proponents of the sick leave payout acknowledge the inherent flaw in the system is that employees who need to use their sick time for an illness while they are employed don't get the extra money at retirement.

"It's unfortunate and it's unfair," said Leslie Sandberg, MAPE's senior communications advisor.

David Troien, an engineer with the Department of Transportation, retired in 2009 after 44 years of service with the state. The Willmar man, who rarely called in sick, said he was "devoted to his career" and didn't think much about the severance pay until the last year or two. For him, the prospect of a \$63,000 payout at retirement wasn't an incentive to come to work.

Unused sick-time payouts

Totals paid out by the state of Minnesota and Minnesota Colleges and Universities for retiring employees' unused sick time by year:



Individuals with highest sick-time payouts

	Position	Years of service
Jon Quistgaard	President of Bemidji State University	30
Linda Baer	MnSCU senior vice chancellor for academic and student affairs	19
Roland Barden	President of Minnesota State University Moorhead	18
James McCormick	MnSCU chancellor	10

Source: MnSCU and Minnesota Office of Management and Budget

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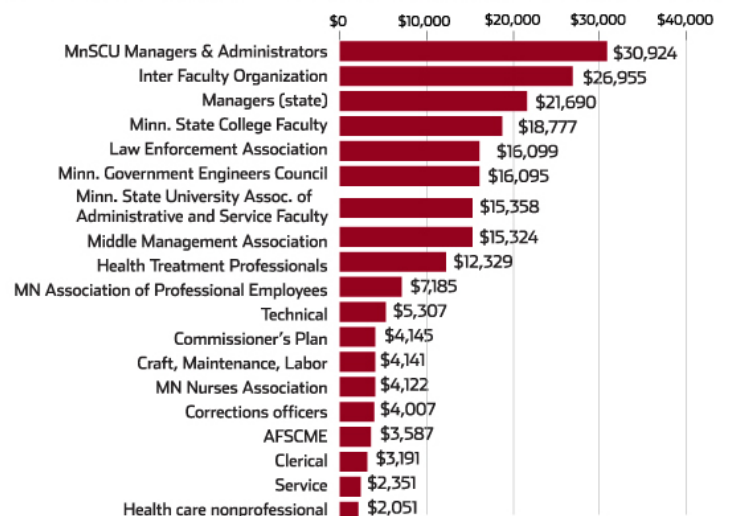
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Unused sick payments by unit

The average payments for unused sick time, between 2008 and June 30, 2011, by bargaining unit:



Source: Pioneer Press analysis

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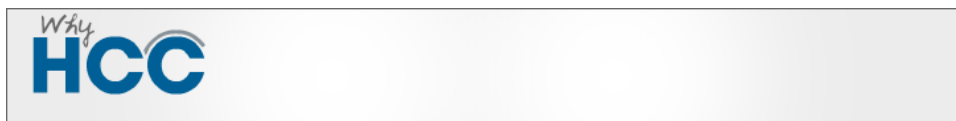
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