



## Interpretive Memorandum No. 2015-4

**DATE:** **REVISED September 18, 2023** (Originally issued August 17, 2015, revised August 2, 2022)

**TOPIC:** **ANNUAL ATTENDANCE STIPENDS AND BONUSES.**

### **PURPOSE:**

The purpose of this memorandum is to discuss the proper treatment of annual attendance stipends and bonuses paid to Members<sup>1</sup>.

### **SUMMARY:**

**A.** Annual attendance stipends and bonuses paid in cash are Earnable Compensation for all Members. It should be reported as Base Compensation for Tier A and Tier A/C Members and Compensation Over Base (COB) for Tier B and Tier C Members.

**B.** If a Member is awarded additional days off in lieu of cash payments, such days are treated the same as regular vacation days.

### **ANALYSIS:**

**A. Overview.** The personnel policies and collective bargaining agreements of participating Employers often contain provisions pursuant to which a Member may earn additional compensation as a reward for not using all of his or her allotted sick time and/or floating holidays. These provisions have many varied titles and structures for awarding such compensation. For example, the compensation is variously referred to as “Bonus Pay”, “Non-Abuse of Sick Pay”, “Personal Leave Bonus”, “Perfect Attendance Bonus”, and “Sick Leave Incentive” (hereinafter collectively referred to as “Annual Attendance Stipend or Bonus”). In some cases, the Member receives cash compensation based on the amount of sick time taken in the year. In other cases, the Member receives additional days off. Sometimes, the Member can elect in advance to convert any cash compensation into additional time off. Other times, if the additional days are not used within a certain time limit, the days are “cashed out” by the Employer.

**B. Stipends and Bonuses Paid in Cash.** Effective September 10, 2019, the definition of Earnable Compensation was amended to include annual attendance

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<sup>1</sup> Capitalized terms shall have the meanings as provided in the Interpretive Memoranda Glossary of Terms.

stipends and bonuses paid in cash. Prior to that date, additional cash compensation awarded for not using sick time was not Earnable Compensation.

The legislation enacting the amendment specifically states:

*“The general court intends that this act revise the definition of earnable compensation for the New Hampshire retirement system to include annual cash payments in the form of an attendance stipend or bonus paid pursuant to a collective bargaining agreement, personnel policy, or other agreement applicable to substantially all employees, the amount of which is determined by reference to the amount of sick days an employee used in the calendar or fiscal year. . . .”* [Emphasis added.]

Thus, the compensation must be paid pursuant to a policy or agreement. In addition, NHRS interprets the phrase “substantially all employees” to include employees that are members of the same bargaining unit or other groups of similarly situated employees. Thus, ad hoc, one-off stipends or bonuses awarded to individuals will not fall within the definition of annual attendance stipends or bonuses and, therefore, are not Earnable Compensation.

Annual attendance stipends and bonuses paid in cash should be reported as Base Compensation for Tier A and Tier A/C Members and COB for Tier B and Tier C Members.

**C. Stipends and Bonuses Paid as Additional Time Off.** If the compensation is payable in additional days off, either by election of the Member or by default, two outcomes are possible. First, if the Member takes the additional time off, then compensation paid with respect to that time off should be reported as Base Compensation in the same manner as regular vacation time is reported.<sup>2</sup> Second, if the additional days are cashed in, either after the passage of time (such as at the end of the fiscal year) or upon termination of employment, then that additional compensation is compensation for unused vacation time which is Earnable Compensation only for Tier A and Tier A/C Members. Compensation for unused vacation time is not Earnable Compensation for Tier B and Tier C Members.



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Approved by Mark F. Cavanaugh, Esq.  
Associate Counsel and Compliance Officer

9-18-23

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Approval Date

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<sup>2</sup> See Interpretive Memorandum 2015-3 for a detailed analysis of compensation for sick and vacation time.