Massachusetts SJC Rules Retention Bonuses Do Not Qualify as Wages Under MA Wage Act

October 30, 2025 | Ashlyn E. Dowd, Corey F. Higgins | In The News

On October 22, 2025, the Massachusetts Supreme Judicial Court (the "Court") determined in Nunez v. Syncsort Inc.[1], that retention bonuses are not classified as "wages" under M.G.L. c. 149, § 148, the Massachusetts Wage Act. The Court instead held that retention bonuses are a form of additional, contingent compensation outside the scope of the Wage Act.

In Nunez, Carlos Nunez ("Nunez"), signed a retention bonus agreement with his employer at the beginning of his employment that stated, in relevant part, the retention bonus was an "incentive for [Nunez] to continue to contribute [his] efforts, talents and services to [Syncsort] during this time of change and integration." Nunez was notified a few months later that his employment would be terminated. The company paid Nunez his last retention bonus payment eight days after his last day of employment, which led him to argue that Syncsort violated the Wage Act by not timely paying him the retention bonus on his last day of employment.

The Court disagreed with Nunez's arguments reasoning that although the Wage Act requires all wages be paid to employees on the last day of employment in cases of involuntary termination, not all employee compensation or benefits are wages. The Court explained it has not broadly construed the term "wages" for the purposes of the Act to include any type of contingent compensation other than commissions. The Court followed the Massachusetts Appeals Court's and the United States District Court for the District of Massachusetts' lead in rejecting attempts to include other forms of contingent compensation where the contingency at issue imposed some requirement beyond the services or labor an employee provides in exchange for their compensation.

The Court held Nunez's retention bonus did not fall within any of the

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enumerated forms of benefits or compensation that the legislature included in the definition of "wages". That is, the retention bonus could not be properly classified as vacation pay, holiday pay, or commissions – and Nunez did not argue otherwise. Instead, Nunez urged the Court to classify the bonus as wages because the payment was a "pledge or payment of usually monetary remuneration by an employer especially for labor or services."

In rejecting Nunez's argument, the Court explained that the purpose of retention agreements is to encourage an employee to stay with the company through a particular date. Nunez's retention agreement fell within this purpose by providing an incentive to him to remain at the company during a "time of change and integration" following a merger. The payments under the retention agreement were in addition to Nunez's salary. The Court found that the payments were additional compensation that were conditioned on Nunez's continued employment with Syncsort and his good performance. The Court emphasized that the payments were not made solely in exchange for Nunez's labor or services. The additional conditions required for Nunez to receive the retention bonus payments disqualified the payments from being covered under the Wage Act.

[1] Nunez v. Syncsort Inc., No. SJC-13709, 2025 WL 2967331 (Mass. Oct. 22, 2025).

If you have any questions about this decision, please contact a member of our Labor, Employment and Employee Benefits Group.