

## CITY OF BATTLE CREEK POLICE & FIRE RETIREMENT SYSTEM

SUBJECT: FINAL AVERAGE COMPENSATION (FAC) POLICY

PURPOSE: To establish a policy to ensure the consistent and accurate calculation of all Battle Creek Police & Fire Retirement Pensions pursuant to Act 345 of 1937, as amended (PA 345).

- Final Average Compensation is the annual compensation received by a member during a period of three (3) or five (5) years of service, depending on collective bargaining agreement, contained within the member's preceding 5 or 10 years of service.
  1. Bargaining Units may negotiate changes to the period of years of service.
  2. If a member has less than 5 years of service, FAC shall be calculated using the member's total years of service.
  3. Each "year" shall be based on 365 days starting with last day of paid service. See Exhibit A for an illustration of how to determine the 3- and 5-year FAC calculation.
  
- The following items may be included in calculating a member's compensation as defined in collective bargaining agreement:
  1. Wages/Salary (regular paid time including paid time off per contract)
  2. Overtime pay (where applicable per contract)
  3. Call-in Pay
  4. Military Supplemental Pay
  5. Out of Class/Acting Pay
  6. Sick & Accident Pay
  7. Vacation/PTO— earned and accrued (limitations/exclusion on payoff may apply)
  8. Car Allowance
  9. Unused Comp. Time
  10. Longevity Pay (limitations/exclusion may apply)
  11. Fire Department Holiday Pay
  12. Education Allowance (limitations/exclusion may apply)
  13. On-Call/Stand-by/pager pay – for FAC calculations the stand-by payoff wages shall be included within the same time frame that it was earned (see Exhibit B)
  14. Weapons Proficiency Stipend
  15. K-9 pay
  16. Premium Pay

- The current collective bargaining agreement and any applicable Administrative Code or City Policy shall apply for the calculation of FAC relative to pensionable wages listed above (based on retirement date or last day of service).
- In all cases the only compensation included in calculating FAC shall be compensation in which a pension contribution has been withheld.
- Military Service Leave, Military Field Training Leave, Workers Comp or Unpaid Medical Leave which causes a break in service may result in an extension in the date range for each year used in the FAC calculation. (see Exhibit C)
- Workers Compensation payments and any supplemental pay shall not be used in calculation of FAC.

POLICY REVIEW: The board shall review this FAC Policy every three years or upon ratification of new collective bargaining agreements. The board may amend this policy, at any time, by majority vote of the board.

Stan Chubinski, Chairman  
Battle Creek Police and Fire Retirement Board

EXHIBIT A

Employee retirement date is 1/3/15 with his/her last day of paid service 1/2/15. The following "years" are established for the FAC calculation:

Year 10	1/3/05 to 1/2/06
Year 9	1/3/06 to 1/2/07
Year 8	1/3/07 to 1/2/08
Year 7	1/3/08 to 1/2/09
Year 6	1/3/09 to 1/2/10
Year 5	1/3/10 to 1/2/11
Year 4	1/3/11 to 1/2/12
Year 3	1/3/12 to 1/2/13
Year 2	1/3/13 to 1/2/14
Year 1	1/3/14 to 1/2/15

With a consecutive 3 year FAC there are 8 possibilities above as follows:

- Years 1 + 2 + 3
- Years 2 + 3 + 4
- Years 3 + 4 + 5
- Years 4 + 5 + 6
- Years 5 + 6 + 7
- Years 6 + 7 + 8
- Years 7 + 8 + 9
- Years 8 + 9 + 10

The FAC shall be the combination above that nets the greatest total. If the FAC is based on 5 consecutive years there will be 6 combinations starting with Year 1 + 2 + 3 + 4 + 5 and so on.

EXHIBIT B (POLC Lieutenant's stand-by payoff)

For members covered by POLC Lieutenant's collective bargaining agreement during 2012-2016. There were two banks for stand-by pay, one was accrued and paid out quarterly and one was a final payoff bank. To determine the member's FAC, stand-by pay for both banks, will be allocated based on the time the stand-by hours were earned, not when the hours were paid.

Following is an example of how these hours and the associated pensionable wages would be spread for the purpose of determining the final FAC based on highest consecutive earnings.

Example:

Employee last day of paid service is 1/2/21

Pay off banks: 500 hours total

Hours earned as follows:

1/6/11 – 1/5/12	hours "earned" = 0
1/6/12 – 1/4/13	hours "earned" = 80
1/5/13 – 1/4/14	hours "earned" = 120
1/5/14 – 1/4/15	hours "earned" = 75
1/5/15 – 1/4/16	hours "earned" = 150
1/5/16 – 1/3/17	hours "earned" = 75
1/4/17 – 1/3/18	hours "earned" = 0
1/4/18 – 1/3/19	hours "earned" = 0
1/4/19 – 1/3/20	hours "earned" = 0
1/4/20 – 1/2/21	hours "earned" = 0

In this example, the employee has stand-by pay hours accumulated/earned over 5 years. The associated wages would be transferred from the year(s) it was paid out and added to each of these years for the FAC calculation.

EXHIBIT C – Adjustment to 365 day period of time due to Military, Workers Comp or Unpaid Medical Time Off.

Exhibit A represents how one year is determined. If the member has time off recorded for Military, Workers Comp or Unpaid Medical Leave, this “year” window will be adjusted in the following manner:

- For 24 hour shift employees: Every 24 hour shift recorded as unpaid time off will extend the 365 period by 3 days.
- For 8, 10 or 12 hour shift employees: Every 8, 10 or 12 hour shift recorded as unpaid time off will extend the 365 period by 1 day.

An extension of the 365 day time frame, may add additional wages to the yearly pensionable wages if the member had wages recorded on the additional days added.

Example: Employee’s last date paid 1/5/21, this is an example of what their last 3 years’ time frames without unpaid time off. (Similar to Exhibit A)

Year 3 1/7/18 to 1/6/19

Year 2 1/7/19 to 1/6/20

Year 1 1/7/20 to 1/5/21

If the employee in this example has 10, 24 hour shifts off unpaid from 7/1/19 – 7/28/19. Their last 3 years’ time frame would be adjusted to reflect the following:

Year 3 12/08/17 to 12/07/18 based on 365 days

Year 2 12/08/18 to 01/06/20 based on 365 days+30 additional days off (10 shifts x 3 days)

Year 1 01/07/20 to 01/05/21 based on 365 days

If the employee in this example has 10, 8 hour shifts off unpaid from 12/10/19 – 12/21/19. Their last 3 years’ time frame would be adjusted to reflect the following:

Year 3 12/28/17 to 12/27/18 based on 365 days

Year 2 12/28/18 to 01/06/20 based on 365 days+10 additional days off (10 shifts)

Year 1 01/07/20 to 01/05/21 based on 365 days