

## BATTLE CREEK POLICE & FIRE PENSION POLICY FINAL AVERAGE COMPENSATION

SUBJECT: Final Average Compensation Policy (FAC)

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 3 or 5 consecutive years of service, depending on collective bargaining agreement, contained within the member's preceding 10 years of service.
  1. Bargaining Units may negotiate changes to the period of consecutive years of service.
  2. In accordance with PA 345, the 10 years of service immediately preceding the member's retirement or leaving service may not be altered.
  3. If a member has less than 5 years of service, FAC shall be calculated using the member's total years of service.
  4. 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:
  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 Pay
  6. Sick & Accident Pay
  7. Vacation – earned and accrued
  8. Car Allowance
  9. Unused Comp. Time
  10. Longevity Pay
  11. Fire Department Holiday Pay
  12. Education Allowance
  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

- The current collective bargaining unit agreement and any applicable Administrative Code 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 or Military Field Training Leave may cause a break in service for the purpose of determining the date range for each year used in the FAC calculation.
- Workers Compensation payments and any supplemental pay shall not be used in calculation of FAC. Service time spent on Workers Compensation may cause a break in service for the purpose of determining the date range for each year used in the FAC calculations.
- Unpaid medical leave may cause a break in service for the purpose of determining the date range for each year used in the FAC calculation.

Joe Newman  
Chairman  
Battle Creek Police & Fire Pension

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

With a 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 5 years there will be 6 combinations starting with Year 1 + 2 + 3 + 4 + 5 and so on.

EXHIBIT B (re: stand-by payoff)

City holds two banks for stand-by payoff. One stand-by bank holds the hours accrued each week. The hours in this stand-by bank may be used by the employee; however, at the end of each quarter the balance of this stand-by bank is cleared out as follows: employee has choice of 100% placed in a retirement stand-by pay off bank OR 50% is paid out to the employee and 50% is placed in a retirement stand-by pay off bank. The retirement stand-by pay off bank is then paid out in the final pay.

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 1/2/15

Pay off bank: 500 hours total [at the current rate of pay]

Hours earned as follows:

1/3/14 – 1/2/15	hours “earned” = 78
1/3/13 – 1/2/14	hours “earned” = 56
1/3/12 – 1/2/13	hours “earned” = 84
1/3/11 – 1/2/12	hours “earned” = 108
1/3/10 – 1/2/11	hours “earned” = 124
1/3/09 – 1/2/10	hours “earned” = 50
1/3/08 – 1/2/09	hours “earned” = 0
1/3/07 – 1/2/08	hours “earned” = 0
1/3/06 – 1/2/07	hours “earned” = 0
1/3/05 – 1/2/06	hours “earned” = 0

In this example the employee has a stand-by pay off bank that was accumulated/earned over 6 years. The associated wages would be calculated and added to each of these years for the FAC calculation.