



Overtime and Your Pension



Public Act 264 changed the way overtime (OT) will be used to calculate your final average compensation (FAC). Visit michigan.gov/orsstatedb for more information, including an e-learning module that walks you through some examples.

| This change doesn't affect those: | This change does affect those: |
|---|---|
| Without overtime | With overtime |
| Who have a FAC period that begins and ends before January 1, 2012 | Who have a FAC period that begins anytime after January 1, 2012 |

The Pension Formula

$$\text{FAC} \times \text{Pension Factor} \times \text{YOS}$$

Final average compensation

The average of your highest three consecutive years (36 consecutive months) of compensation. It could be anytime during your career.

FAC period

The period from the begin date to the end date of your highest consecutive three-year (36-month) span. If you work full-time and your FAC period starts October 26, 2012, your FAC period would end on October 26, 2015.

Pension factor

The pension factor for most state employees is 1.5 percent.

Years of service (YOS)

All service applicable to your pension while employed by the State of Michigan or one of its noncentral agencies.



Conservation officers and covered employees

If you're a conservation officer, your FAC period is two consecutive years or 24 consecutive months. Conservation officers and covered employees use a different pension factor and formula. See our website for details.

New FAC Calculation With Overtime

If your FAC period is after January 1, 2012, the Office of Retirement Services (ORS) averages your OT over a six-year window immediately before your FAC period ends. Then we add your OT average to your base salary. There are four steps when including OT in your FAC:

- 1 We find the highest three consecutive years of earnings, no matter where they fall in your career. When ORS determines this, we include things such as base salary, actual OT, and any annual leave payouts, if applicable.
- 2 Then, we calculate your OT average over the six-year period immediately before your FAC period ends.
Note: the averaging calculation will not go beyond 2009.
- 3 Next, the OT per year average is added to the base salary earned in each year of your FAC period.
- 4 Finally, we determine your FAC by adding the totals for each year and dividing by three.

| | | 2016 | 2017 | 2018 | | | | |
|---|------------------------|-----------|-----------|-----------|---------|---------|-----------|----------------|
| 1 | Highest earning period | \$45,840 | \$46,500 | \$48,700 | | | | |
| | Actual OT | - \$6,000 | - \$6,000 | - \$7,000 | | | | |
| | Base salary | \$39,840 | \$40,500 | \$41,700 | | | | |
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | OT wages TOTAL |
| 2 | | \$5,000 | \$4,400 | \$4,000 | \$6,000 | \$6,000 | \$7,000 | \$32,400 |
| | | | | | | | | ÷ 6 |
| | | | | | | | | \$5,400 |
| | | 2016 | 2017 | 2018 | | | | |
| 3 | Base salary | \$39,840 | \$40,500 | \$41,700 | | | | |
| | OT average | + \$5,400 | + \$5,400 | + \$5,400 | | | | |
| | Compensation for FAC | \$45,240 | \$45,900 | \$47,100 | | | TOTAL | |
| | | | | | | | \$138,240 | |
| | | | | | | | ÷ 3 | |
| | | | | | | | \$46,080 | |
| | | | | | | 4 | | |

What If Years In Your FAC Period Overlap 2012?

In the period of your FAC before 2012, we include your actual OT. In the period of your FAC in 2012 and after, we include your OT average. In this situation, ORS follows these steps to calculate your FAC:

- 1** ORS finds the highest three consecutive years of earnings, no matter where they fall in your career.
- 2** Then, we calculate your OT average.
Remember: the averaging calculation will not go beyond 2009, even if it's not a full six years immediately before the FAC period ends.
- 3** Next, your actual OT earned in 2011 is added to that year's base salary. The OT average is added to the base salary in 2012 and 2013.
- 4** Finally, we add the totals for each year and divide by three.

| | | 2011 | 2012 | 2013 | | | |
|----------|------------------------|-----------|-----------|-----------|----------|-----------|-------------------|
| 1 | Highest earning period | \$43,840 | \$46,500 | \$47,700 | | | |
| | Actual OT | - \$4,000 | - \$6,000 | - \$6,000 | | | |
| | Base salary | \$39,840 | \$40,500 | \$41,700 | | | |
| | | 2009 | 2010 | 2011 | 2012 | 2013 | OT wages TOTAL |
| 2 | | \$5,000 | \$4,400 | \$4,000 | \$6,000 | \$6,000 | \$25,400 |
| | | | | | | | ÷ 5 |
| | | | | | | | \$5,080 |
| | | 2011 | 2012 | 2013 | | | |
| 3 | Base salary | \$39,840 | \$40,500 | \$41,700 | | | |
| | Actual OT | \$4,000 | \$0 | \$0 | | | |
| | OT average | \$0 | \$5,080 | \$5,080 | | | |
| | Compensation for FAC | \$43,840 | \$45,580 | \$46,780 | TOTAL | \$136,200 | |
| | | | | | | | ÷ 3 |
| | | | | | 4 | \$45,400 | |



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