



# Overtime and Your Pension



Public Act 264 of 2011 changed the way overtime (OT) will be used to calculate your final average compensation (FAC). Visit [Michigan.gov/ORSStateDB](http://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 Jan. 1, 2012.	Who have a FAC period that begins anytime after Jan. 1, 2012.

## The pension formula

**FAC x Pension Factor x 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 Oct. 26, 2012, your FAC period would end on Oct. 26, 2015.

### Pension factor

The pension factor for most State of Michigan employees is 1.5%.

### 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 Jan. 1, 2012, the Michigan 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			
<b>1</b>	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
<b>2</b>		\$5,000	\$4,400	\$4,000	\$6,000	\$6,000	\$25,400
							÷ 5
							\$5,080
		2011	2012	2013			
<b>3</b>	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
					<b>4</b>	\$45,400	



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