

# Legislative Analysis

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## LIMIT DEFINED BENEFIT PENSION FOR FIREFIGHTERS AND POLICE OFFICERS

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### House Bill 4060

Sponsor: Rep. Douglas Geiss

Committee: Oversight, Reform, and Ethics

Complete to 5-9-11

### A SUMMARY OF HOUSE BILL 4060 AS INTRODUCED 1-13-11

House Bill 4060 would amend the Fire Fighters and Police Officers Retirement Act (MCL 38.556). The bill would revise the act's definition of "average final compensation" to say that for members of the pension system who became members on and after December 31, 2010, average final compensation could not exceed 55% of the member's base pay.

The bill also says that if a collective bargaining agreement was in effect on December 31, 2010, that required a greater average final compensation than 55% of the member's base pay, then average final compensation of a member would be administered in accordance with the terms of the collectively bargained agreement until that agreement expired or was renegotiated.

The bill defines "base pay" to mean the hourly pay rate of the member up to 40 hours per week and 52 weeks per year. Under the definition, base pay would not include any of the following: overtime pay; accrued sick leave or accrued vacation time; bonus pay; the cost of health insurance or other fringe benefits; and one-time lump-sum payments.

Under the act, a member's pension is determined by multiplying 2% of average final compensation by the first 25 years of service and then adding the amount that results from multiplying 1% of average final compensation by the number of years exceeding 25 years. (A municipality can choose to increase the 2% of average final compensation to 2.5%.) "Average final compensation" is defined to mean the average of the highest annual compensation received during a period of 5 consecutive years of service contained within the member's 10 years of service prior to retirement or leaving service. However, if provided for in a collective bargaining agreement, average final compensation could be the average of the 3 years of highest annual compensation during the last 10 years of service. The bill would amend the definition to limit average final compensation to 55% of base pay.

### FISCAL IMPACT:

A fiscal analysis is in process.

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