

# HOUSE BILL No. 5438

March 9, 2016, Introduced by Rep. Somerville and referred to the Committee on Financial Liability Reform.

A bill to prescribe the compensation used to calculate pension benefits for employees of certain public employers.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1. This act shall be known and may be cited as the  
2 "public employee retirement benefit calculation act".

3           Sec. 3. As used in this act:

4           (a) "Base pay" means the remuneration paid to an employee on  
5 account of the employee's service. Base pay does not include any of  
6 the following:

7           (i) Payment for overtime services.

8           (ii) Remuneration paid instead of accumulated sick leave.

9           (iii) Remuneration received as a bonus.

10          (iv) Payment for accrued vacation pay.

11          (v) One-time lump-sum payments.

1           (vi) The cost of fringe benefits, including, but not limited  
2 to, a medical benefit plan. As used in this subparagraph, "medical  
3 benefit plan" means that term as defined in section 2 of the  
4 publicly funded health insurance contribution act, 2011 PA 152, MCL  
5 15.562.

6           (vii) Remuneration paid for the specific purpose of increasing  
7 the final average compensation.

8           (b) "Member" means a member of a defined benefit plan under a  
9 retirement system.

10           (c) "Retirement system" means a retirement system established  
11 by a political subdivision of this state. Retirement system does  
12 not include a state unit as that term is defined in section 2 of  
13 the public employee retirement benefit protection act, 2002 PA 100,  
14 MCL 38.1682.

15           Sec. 5. Except as otherwise provided in section 4p of the home  
16 rule city act, 1909 PA 279, MCL 117.4p, beginning January 1, 2017,  
17 for a political subdivision of this state that provides a defined  
18 benefit plan as part of a retirement system for its employees, the  
19 compensation used to calculate a pension benefit under the defined  
20 benefit plan may only include base pay. The calculation using only  
21 base pay required under this section does not apply to years of  
22 service accrued before January 1, 2017. However, if a collective  
23 bargaining agreement that is in effect on January 1, 2017 requires  
24 that the compensation used to calculate a pension benefit includes  
25 more than base pay, the compensation used to calculate the pension  
26 benefit of a member subject to the collective bargaining agreement  
27 is the compensation provided in the collective bargaining agreement

- 1 until the collective bargaining agreement expires or is
- 2 renegotiated.