

**Final Average Compensation for Retirement Benefits**  
**Compiled by the National Public Pension Coalition, Summer 2009**

System Name	Calculation of Final Average Compensation for Retirement Benefits
Alabama Teachers	Average of the highest 3 annual salaries (October – September) out of the last 10 makes up the final average salary. Unused paid sick leave days can be converted to service credit used in calculating benefits.
Alabama ERS	Average of the highest 3 annual salaries (October – September) out of the last 10 makes up the final average salary. Partial years are included in FAS. Unused paid sick leave days can be converted to service credit used in calculating benefits.
Alaska Teachers	Final Average Compensation is calculate by taking the average of one's highest 3 annual base salaries. If compensation is received for more than two-thirds of a year, the full base salary for that school year shall be used in the computation of the average base salary.  Base salary does not include payments for leave not used by the member. Unused sick leave can be converted into service credit used in calculating benefits.
Alaska PERS	The five consecutive payroll years during the period of credited service that yield the highest average are used to calculate Final Average Compensation. An employee must have at least 115 days of credited service in the last payroll year in order for that year to be used as part of the consecutive payroll years.  Compensation includes only the payment received for personal service to an employer, as well as used paid leave. Compensation does not include any type of severance pay, bonus pay, or lump sum payments for unused paid leave.
Arizona Public Safety Personnel	Average of the highest 3 consecutive years of compensation in the last 20 years of service. Compensation includes base salary, overtime pay, shift differential pay, and holiday pay.
Arizona SRS	Average of the highest 3 consecutive years of salary in the last 10 years of service. Only uses an individual's salary.
Arkansas Teachers	Average of the highest 3 fiscal year salaries. No salary used in computing the final average salary shall exceed the greater of 120% of the previous highest salary or an additional \$5,000.
Arkansas PERS	Average of the 4 highest fiscal years of compensation. Compensation includes base salary, as well as a bonus or lump sum payment. The maximum amount of the bonus or lump-sum payment that will be considered is the lesser of 5% of the current year's salary or the amount of the bonus or lump-sum payment received in the previous year.
California Teachers	If a member has 25 or more years of service credit, CalSTRS uses your highest 1 year earnable compensation. For members with less than 25 years of service credit, CalSTRS uses your highest average earnable compensation during any period of 36 consecutive months of paid employment. Earnable compensation is meant to be the yearly salary of the teacher. Unused sick leave can add to a retiree's credited service.
California PERS	For School Employees: Average full-time pay rate and special compensation for the last consecutive 12 months of employment.  For State Employees: Average full-time monthly pay rate and special compensation for the last consecutive 12 months, or 36 months if hired after 01/01/07, of employment.  State Safety Employees: Average full-time monthly pay rate and special compensation for the last consecutive 12 months of employment.  Local Employees: Average full-time monthly pay rate and special compensation for the last consecutive 36 months of employment.  Local Safety Employees: Average full-time monthly pay rate and special compensation for the last consecutive 36 months of employment.  For all categories: Unused sick leave can be used to increase the service credit for an employee. Unused vacation or other paid leave time usually results in employers provide

	<p>a lump sum pay for this unused time or let you continue on the payroll until your time is exhausted. This lump-sum or extended time on the payroll can then be counted as “special compensation”.</p> <p>CalPERS defined “special compensation” as additional income a member might receive for uniform allowances, holiday pay, longevity pay, educational pay, physical fitness pay, and a lump-sum or extended time on the payroll for unused vacation leave. Special Compensation is determined by a member’s employer, who may or may not report special compensation to CalPERS.</p>
Colorado State (PERA)	Average of the highest 3 years of salary. Salary includes base pay; any pay for administrative, sabbatical, annual, sick, vacation, or personal leave; pay for compensatory time or holidays; payments from an employer from grants; special pay for work-related injuries paid by the employer prior to termination of membership.
Colorado School	Average of the highest 3 years of salary. Salary includes base pay; any pay for administrative, sabbatical, annual, sick, vacation, or personal leave; pay for compensatory time or holidays; payments from an employer from grants; special pay for work-related injuries paid by the employer prior to termination of membership.
Connecticut Teachers	Average of a member’s 3 highest paid years. Uses pay members receive for teaching, administrative, of supervisory services. Does not include pay for extra duty assignments, coaching, unused sick leave, terminal pay or any payment predicated on the member’s retirement.
Delaware State Employees	<p>1/36<sup>th</sup> of the total compensation paid to a member during the highest paid 3 years. For those who joined the plan on or after 01/01/1996, for plan years between 1996 and 01/01/2002 annual compensation which exceeds \$150,000 is disregarded for purposes of determining benefits. For plan years beginning on or after 01/01/2002, annual compensation which exceeds \$200,000 may not be taken into account in determining benefits.</p> <p>Compensation is defined as wages within the meaning of the Internal Revenue Code, and all other payments of compensation to an employee by an employer for which the employer is required to furnish the employee a written statement under the Internal Revenue Code.</p>
Florida RS – DB	Average of the highest 5 fiscal years of salary. A member’s final year’s salary may include lump sum pay for up to 500 hours of terminal annual leave.
Georgia Teachers	Average of the 2 highest consecutive years of salary. Employees who entered the retirement system on or after July 1, 1996, the maximum earnable compensation that can be used to calculate benefits is \$230,000. Unused sick leave can be turned into service credit.
Georgia ERS	Not used <sup>1</sup>
Hawaii ERS	Average of your monthly earnings for highest 3 years of salary, excluding any lump sum vacation pay.
Idaho PERS	Average of the highest 42 consecutive months of salary. Monthly retirement benefit may not exceed your highest 36 month average salary.
Illinois Teachers	Average of the 4 highest consecutive annual salary rates within the last 10 years of creditable service. Each annual salary rate cannot exceed the previous year’s full-time rate by more than 20%. Benefits are capped at 75% of final average salary. Unused sick leave can be turned into service credit.
Illinois SERS	Average of the 48 highest consecutive months within the last 120 months of service. Compensation is defined as all payments for personal services as defined as wages under the Social Security Enabling Act, except lump sum payments for vacation, sick leave, or holiday pay.
Indiana PERF	Public Employees: Average of a member’s highest 5 years of compensation. Additional payments of up to \$2,000 made upon termination, for unused vacation days, etc, are included in calculating Final Average Salary.

<sup>1</sup> “Characteristics of Large Public Education Pension Plans”. [National Education Association](#). 2008. pg. 60

	Police and Firefighters: Uses a member's base salary in their final year. Base salary is defined as the salary of a first-class police officer or firefighter plus all longevity increases when applied to years of service less than 20 years.
Indiana Teachers	The average of the 5 highest years of annual salary. Additional payments of up to \$2,000 received in contemplation of retirement are also included in calculating Final Average Salary.
Iowa PERS	State Employees: The average of the 3 highest years of annual salary.  Sheriffs and Deputy Sheriffs: The average of the 3 highest years of annual salary.  Protection Occupations: The average of the 3 highest years of annual salary.
Kansas PERS	If membership date is before July 1, 1993 Final Average Compensation is calculated with either a) an average of your 4 highest years of salary, including additional compensation, such as payments for unused sick and annual leave; or b) an average of your 3 highest years of salary, excluding additional compensation. KPERS will choose the option that gives the member the greater benefit.  If membership date is after July 1, 1993 Final Average Compensation is calculated with an average of your 3 highest years of salary, excluding additional compensation such as payments for unused sick and annual leave.  If membership date is after July 1, 2009 Final Average Compensation is calculated with an average of your 5 highest years of salary, excluding additional compensation. If a member's salary increases substantially from year to year, a 7.5% cap on compensation may be used to calculate your final average salary.
Kentucky ERS	The average of the 5 highest or 3 highest fiscal years during which the member had the highest monthly average salary.  Non-hazardous members: To qualify for the 3 highest calculation, a member needs 27 years of service credit, age and service credits must add up to 75, must retire between August 1, 2001 and January 1, 2009. If a member doesn't meet these qualifications they will use the 5 highest calculation.  Hazardous members: Qualify automatically for the 3 highest calculation.  Unused sick leave can be transformed into service credit upon retirement.
Kentucky Teachers	Average of the 5 highest fiscal years of salary. Salary is defined as a member's contract salary plus extra earnings for additional service.
Louisiana SERS	Average earned compensation received during 36 highest months of successive employment, or the highest joined months of employment if service was interrupted.  Earned compensation is defined as base pay you earn as an employee, plus cash emoluments. Does not include overtime, per diem, differential pay, payment in kind, premium pay, or any other authorized expense allowance.
Louisiana Teachers	Final Monthly Average Compensation is the average monthly salary of your three highest consecutive years of employment. A 10% cap is placed on all salary increases during the year immediately before and during a member's highest 3 years.
Maine State and Teachers	State Employees: Average of your 3 highest years of earnable compensation. Earnable compensation is defined as the salary or wages a member earns for employment.  Teachers: The average of your 3 highest years of earnable compensation. Earnable compensation is defined as the salary or wages a member earns for employment.
Maryland PERS	Average of a member's 3 highest consecutive annual salaries. Any increase in salary over 20% is excluded from the calculation of average final compensation.
Maryland Teachers	Average of a member's 3 highest consecutive annual salaries. Any increase in salary over 20% is excluded from the calculation of average final compensation.
Massachusetts SERS	Average of the member's highest 36 consecutive months of annual rate of regular

	compensation.
Michigan Public Schools	<p>Average of the highest 3 consecutive years of earnings. Earnings include wages, longevity pay, vacation or holiday pay while absent from work, sick leave pay while absent from work, overtime pay, and merit pay.</p> <p>Earnings does not include unused sick or vacation time, bonus payments, retirement incentive payments, health and life insurance premiums, long-term disability payments, fringe benefits, in-kind compensation, sabbatical leave stipends, termination pay, expense payments, etc.</p>
Michigan SERS	<p>Average of the highest 3 consecutive years of compensation. Compensation includes wages, up to 240 hours of annual leave and compensatory time paid at retirement; performance pay; and longevity pay.</p> <p>Compensation does not include sick leave payouts, flex plan payments, clothing allowances, and travel compensation.</p>
Minnesota Teachers	Average of the member's highest 5 consecutive years of salary. Salary does not include employer paid benefits or severance payments.
Minnesota PERF	Average of the member's highest 5 consecutive years of salary.
Minnesota State Employees	Average of the member's highest 5 consecutive years of salary.
Mississippi PERS	Average of the member's highest 4 consecutive years of salary.
Missouri State Employees	Average of the member's highest 36 consecutive months of compensation. Compensation includes all salary and wages. It does not include any money paid an employee after their termination, or any pay for unused annual or sick leave.
Missouri Teachers	Average of the member's highest 3 consecutive years of annual salary.
Missouri PEERS	Average of the member's highest 3 consecutive years of annual salary.
Montana PERS	A member's highest average monthly compensation during any consecutive 36 months. Lump-sum payments of paid leave must be used to extend the compensation. However, lump-sum payments of paid leave paid without termination of employment will not be considered as compensation.
Montana Teachers	The Average of a member's earned compensation during the highest 3 consecutive years of compensation. Earned compensation is defined as compensation exclusive of maintenance, allowance, and expenses paid for services by a member out of funds controlled by an employer.
Nebraska Schools	Average of the member's 3 highest 12 month periods of compensation.
Nevada Regular Employees	Average of the member's 36 consecutive months of highest compensation as certified by the public employer. Compensation is defined as the salary paid to a member by the member's public employer which is subject to contribution.
Nevada Police Officer and Firefighter	Average of the member's 36 consecutive months of highest compensation as certified by the public employer. Compensation is defined as the salary paid to a member by the member's public employer which is subject to contribution.
New Hampshire Retirement System	<p>Average of the member's annual compensation for the 3 highest paid years. Earnable compensation is defined as a member's gross earnings paid to the member by the employer plus a member's earnings from a salary continuance or disability plan.</p> <p>A member's final year of service is limited. The limit is 150% of the member's earnable compensation for the preceding year. All compensation to be considered must be received by the member within 120 days of retiring.</p>
New Jersey Police and Fire	The base salary in the 12 months immediately preceding retirement.
New Jersey Teachers	Member's average salary for the 3 highest paid years. Salary is defined as the base salary on which the member's pension contributions are based on. It does not include extra pay for overtime or money given in anticipation of retirement. Nor does it include additional salary for performing temporary or extracurricular duties beyond the regular school day or the regular school year.
New Jersey PERS	Member's average salary for the 3 years immediately preceding retirement. Salary is defined as the base salary a member's pension contributions are based on. It does not include extra pay for overtime or money given in anticipation of retirement. Nor does salary include pay for housing, clothing, or uniform allowance.

New Mexico Teachers	The greater of a) a member's average annual earnings in the last 20 calendar quarters immediately preceding retirement; or b) a member's average annual earnings in any 20 consecutive calendar quarters.
New Mexico PERA	The average of the highest 36 consecutive months of a member's salary.
New York State and Local ERS	<p>Highest average of wages earned during any 3 consecutive years. Wages are defined as regular salary, overtime, and recurring longevity payments.</p> <p>For Tier 3 &amp; 4 Members: payment for unused vacation not to exceed 30 days will be included in your Final Average Compensation, if the wages used to calculate your Final Average Compensation were those immediately preceding your retirement. Also, earnings in any year that exceed 10% of the average of the two previous years' earnings will be excluded from calculating benefits.</p>
New York State Teachers	The average of a member's 3 highest consecutive years of salary earned. Salary includes regular compensation, coaching, tutoring, summer school, chaperoning, workshops, driver education, supervision of traditional after school clubs, and teaching or administration of educational after school programs.
New York State and Local Police and Fire	<p>Highest average of wages earned during any 3 consecutive years. Wages are defined as regular salary, overtime, and recurring longevity payments.</p> <p>Tier 2 Members: Payment for unused vacation is not included in Final Average Compensation. Earnings in any year which exceed 20% of the average of the two previous years' earnings will be excluded from calculating benefits.</p>
North Carolina Teachers and State Employees	<p>Average of the member's salary during the 4 highest consecutive paid years.</p> <p>If one's 4 highest paid consecutive years include a final payment for unused vacation leave and/or prorated longevity, the final average compensation can be increased by the extra payments. However, final payments for unused sick leave or reimbursements for expenses are not included in the final average compensation.</p>
North Dakota PERS	<p>The average of the highest 36 months of salary out of the last 120 months worked.</p> <p>Salary does not include unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing allowance, transportation expenses, severance pay, etc. Some bonuses can be considered salary if approved by the retirement board.</p>
North Dakota Teachers	<p>Tier 1: 1/36 of the total of a member's 3 highest annual fiscal year salaries.</p> <p>Tier 2: 1/60 of the total of a member's 5 highest annual fiscal year salaries.</p> <p>Salary is defined as a member's earnings for teaching, supervisory, administrative, and extracurricular services during a school year.</p>
Ohio Police and Fire	<p>Average of the 3 highest years of salary. Salary is defined as all compensation, wages, and other earnings paid to an employee by reason of employment. Salary includes payment for overtime that is made not later than the payroll following the payroll period in which the overtime is worked.</p> <p>Salary does not include payments for unused sick, personal, or vacation leave.</p>
Ohio School Employees	<p>Average of the 3 highest years of compensation. Compensation includes salary, wages, and other earnings paid to a member by reason of employment.</p> <p>Compensation does not include payments for unused sick, personal, or vacation leave, payments made for vacation pay covering concurrent periods for which other salary or compensation is also paid, etc.</p>
Ohio PERS	<p>Average of a member's 3 highest years of salary. Salary is defined as all compensation, wages, and other earnings paid to an employee by reason of employment. Salary includes payment for overtime that is made not later than the payroll following the payroll period in which the overtime is worked.</p> <p>Salary does not include payments for unused sick, personal, or vacation leave.</p>

Ohio Teachers	Average of the member's 3 highest years of earnings. Earnings include salary, wages, and other earnings paid to a member by reason of employment.
Oklahoma PERS	Average of the highest 3 years of compensation out of the last 10 years.
Oklahoma Teachers	For those who joined the TRS before July 1, 1992, final average salary is the average of the 3 highest years of salary.  For those who joined the TRS after June 30, 2009, final average salary is the average of the 5 highest consecutive years of salary.
Oregon PERS	Tier 1: Greater of a) average gross salary earned over the 3 calendar years in which you received the largest total salary, or b) a member's total gross salary earned over the last 36 months divided by the actual number of calendar months of active service within that 36 month period. Calculations will include any lump sum payments for accrued vacation time and compensatory time. An adjusted value of accumulated unused sick leave may be included.  Tier 2: Greater of a) average gross salary over the 3 calendar years in which you received the largest total salary, or b) a member's total gross salary earned over the last 36 months divided by the actual number of calendar months of active service within that 36 month period. Calculations do not include lump-sum payments for accrued vacation time. An adjusted value of accumulated unused sick leave may be included.
Pennsylvania State ERS	The highest average compensation over 3 years of service.
Pennsylvania School Employees	Average of the 3 highest years of compensation
Rhode Island ERS	Average of the 3 highest years of wages.
South Carolina Police	Average of a member's 12 highest consecutive quarters of compensation. Compensation is not only a member's base salary but also payment for unused annual leave; however, only 45 days of unused annual leave may be included. Up to 90 days of unused sick leave may be transformed into service credit.
South Carolina RS	Average of a member's 12 highest consecutive quarters of compensation. Compensation is not only a member's base salary but also payment for unused annual leave; however, only 45 days of unused annual leave may be included. Up to 90 days of unused sick leave may be transformed into service credit.
South Dakota PERS	Average annual salary during the highest 12 consecutive calendar quarters in the last 40 quarters of membership.
Tennessee State and Teachers	Average of a member's highest 5 years of salary. Salary does not include lump sum payments for unused sick and annual leave, retirement incentives, and bonuses.
Texas Teachers	Average of the highest 5 years of annual salaries.  However, if a member attained the age of 50, had at least 25 years of service, and age and years of service add up to 70 all before August 31, 2005 then the Final Average Compensation is calculated using the average of the highest 3 years of annual salaries.
Texas ERS	Average of the highest 36 months of salary. Salary includes regular base pay, longevity pay, Benefit Replacement Pay (which replaces the employer's portion of the Social Security Tax), and hazardous duty pay.
Utah Noncontributory	Average of a member's 3 highest years of salary. If any one of the years used exceeds the previous year's salary by more than 10% the year(s) in question will be limited.
Vermont Teachers	Average of a member's 3 highest consecutive years of earnings. Earnings only includes payments for service actually performed.
Vermont State Employees	Average of the member's highest 3 consecutive years of earnings. Earnings includes an employee's base pay. Earnings excludes unused annual leave payoff.
Virginia Retirement System	Average of the 36 consecutive months of highest creditable compensation. Creditable Compensation is defined as annual salary not including overtime pay, payments of a temporary nature, or payments for extra duties.
Washington PERS 1	Average of the member's 24 consecutive highest paid service credit months. If a member cashes out unused annual or sick leave during those 24 months, then those can be included in their Final Average Compensation calculation.
Washington PERS	Average of the member's 60 consecutive highest paid service credit months. The Final

2/3	Average Compensation calculation does not include payments for any type of severance pay, such as a lump-sum payment for unused sick leave, vacation or annual leave.
Washington Teachers Plan 1	Average of the 2 highest consecutive paid fiscal years.
Washington Teachers Plan 2/3	Average of the member's 60 consecutive highest paid service credit months. This calculation will not include any type of severance pay, such as lump sum payments for unused sick leave or vacation/annual leave.
Washington School Employees Plan 2/3	Average of the member's 60 consecutive highest paid service credit months. Not included in this calculation are payments for any type of severance pay, such as lump sum payments for unused sick leave or vacation/annual leave.
West Virginia Teachers	Average of the 5 highest fiscal year salaries, out of the last 15 fiscal years of contributing service. Unused sick and annual leave can be converted into more service credit.
West Virginia PERS	Average of the highest 36 consecutive months of pay within the last 10 years of employment. Lump sum payments, with the exception of annual increment pay, will not be used to increase any retirement benefit. Unused sick and annual leave can be converted into more service credit.
Wisconsin Retirement System	Average of the 3 highest years of earnings.
Wyoming Public Employees	<p>Average of the member's 36 highest consecutive months of acceptable salary. Acceptable salary includes pay for services rendered; pay for used administrative, sabbatical, annual, sick, vacation, or personal leave; any pay for compensatory time, and any retroactive compensation pursuant to court orders.</p> <p>Acceptable salary does not include unused sick, personal, or vacation leave; severance pay; bonuses; or any fringe benefits.</p>

Source: Individual retirement system websites.