
Benefit Calculation: Final Average Salary

Part of the retirement benefit formula used to calculate your monthly retirement benefit is your final average salary (FAS). The length of time used to calculate your FAS depends on your tier:

- 26 consecutive pay periods (1 year) – Tier 1
- 78 consecutive pay periods (3 years) – Tiers 2-4

This period of time can be from any point in your career. Also, if you have established reciprocity with another system, each system will share your final average salary information with each other. The higher of the two salaries will be used to calculate your benefit.

The pay we use to calculate your final average salary may differ from the amount you see on your paycheck. Your final average salary does not include overtime. Only pay that is subject to retirement contributions is taken into consideration when determining your final average salary. This can vary according to your tier.

Eligible Pay Types

Pensionable Compensation

General Tier 4, Safety Tier 3, and Safety Probation Tier 3 (PEPRA tiers)

The majority of members who entered the retirement system after January 1, 2013 are subject to Government Code §7522.34 of the California Public Employees' Pension Reform Act (PEPRA). Compensation for retirement purposes is defined in PEPRA as "pensionable compensation." It is generally limited to base pay and doesn't include things like housing or uniform allowances. For a complete list of pay types that are included and excluded under pensionable compensation for PEPRA members, please see Board of Retirement Resolution 2017-09.

Compensation Earnable

General Tiers 1, 2, and 3; Safety Tiers 1 and 2; and Safety Probation Tiers 1 and 2 (non-PEPRA tiers)

Final average salary of members who have entered the retirement system prior to January 1, 2013 is subject to Government Code §31461. For non-PEPRA members, pay that is subject to retirement contributions is considered "compensation earnable". Compensation earnable allows for a greater number of pay types, such as vacation pay-outs and uniform allowances, to be included when calculating final average salary. For a complete list of pay types that are included and excluded under compensation earnable for non-PEPRA members, please see Board of Retirement Resolution 2017-08.

Social Security Integration

Non-PEPRA members are subject to a Social Security integration factor. Contributions made to MCERA are based on your pensionable compensation or compensation earnable minus a Social Security Integration Factor. Social Security Integration ensures that neither the member's MCERA benefit nor Social Security benefit is reduced. PEPRA members participate in Social Security but are not subject to the Social Security integration factor.

Final Average Salary Capped at IRS 401(a)(17) Limit

Non-PEPRA members hired from 1996 through 2012 are subject to Section 401(a)(17) of the Internal Revenue Code. This code section limits the amount of annual salary that qualified pension plans can use in your retirement calculation. This limit is set by federal law and is periodically adjusted for inflation. The 2018 limit is \$275,000.

PEPRA Members-Cap on Pensionable Compensation

There is a limit to the highest final average salary that can be used for PEPRA members. The 2018 PEPRA compensation limits are \$121,388 for Social Security members and \$145,666 for non-Social Security members. These limits are the maximum pay that a California public agency can recognize in a defined benefit plan for PEPRA members.