



# RETIREMENT 101: FINAL AVERAGE COMPENSATION (FAC)

Your SBCERA retirement benefit is based on four factors: your age at retirement, years of service credit, benefit formula (Tier 1 or Tier 2, General or Safety) and your **Final Average Compensation (FAC)**.

“**Final Average Compensation**” is the average compensation you earned prior to retirement. This is one element used to determine your benefit. The definition varies based on your tier.

**Tier 1:** Your highest 12 consecutive months of earnable compensation at any time during your membership, or with a reciprocal agency with which you have established reciprocity.

**Tier 2:** The average of your highest 36 consecutive months of pensionable compensation at any time during your membership with SBCERA.

FAC is your base pay, plus any additional payable items allowable based on your Tier. The details of different pay items vary greatly; therefore, it is difficult to summarize the items that may be included in your FAC. For example, some members can include items such as shift differential, benefit dollars or applicable cash outs while others may only include their base pay. FAC does not include overtime worked. SBCERA encourages you to consult with your payroll specialist, human resources representative and/or MOU to determine which items may be included in your FAC.

Your **highest** FAC for any 12 or 36 consecutive months (depending on your tier) could be your last year, last three years, or several years ago in your employment tenure.

**Please note:** If you are a Tier 1 Member and your MOU allows cash outs of certain types of leave, i.e. administrative, holiday, annual or vacation leave, these cash outs **may** be included in your FAC calculation only if the cash outs were both **earned and payable** during any 12 consecutive months of pay. In addition, most employers impose limits on the maximum that can be earned and cashed out, which also apply to the retirement benefit calculation. For example, currently, an exempt County employee may be able to cash out 300 hours of vacation; but, for purposes of determining the highest earnable compensation, only the amount they are able to accrue in a 12 month period, 160 hours, is included in the FAC calculation.

SBCERA encourages you to speak to a retirement representative for more detail.

**Note:** Section 401(a)(17) of the IRS code and the Public Employees Pension Reform Act (PEPRA) may affect the final average compensation used to calculate your retirement benefit. The legislation places a limit on the maximum FAC allowed for retirement benefit calculations. Any wages above the specific limits, which are set each year, will not be included in your FAC calculation.