Calculating Your Final Average Salary

NYCERS — NYC Employees' Retirement System

TIER 2 MEMBERS | VERSION JANUARY 2010

You have heard the term Final Average Salary (FAS) used in the context of determining your retirement benefit. But what does FAS really mean?

THE STRICT DEFINITION IS:

FAS is defined as the wages earned by a member during any three consecutive calendar years or the 36 months immediately preceding the member's retirement date which provide the highest average wage.

HOWEVER:

Wages earned during any year (used in the FAS) cannot exceed the average of the previous two years by 20%.

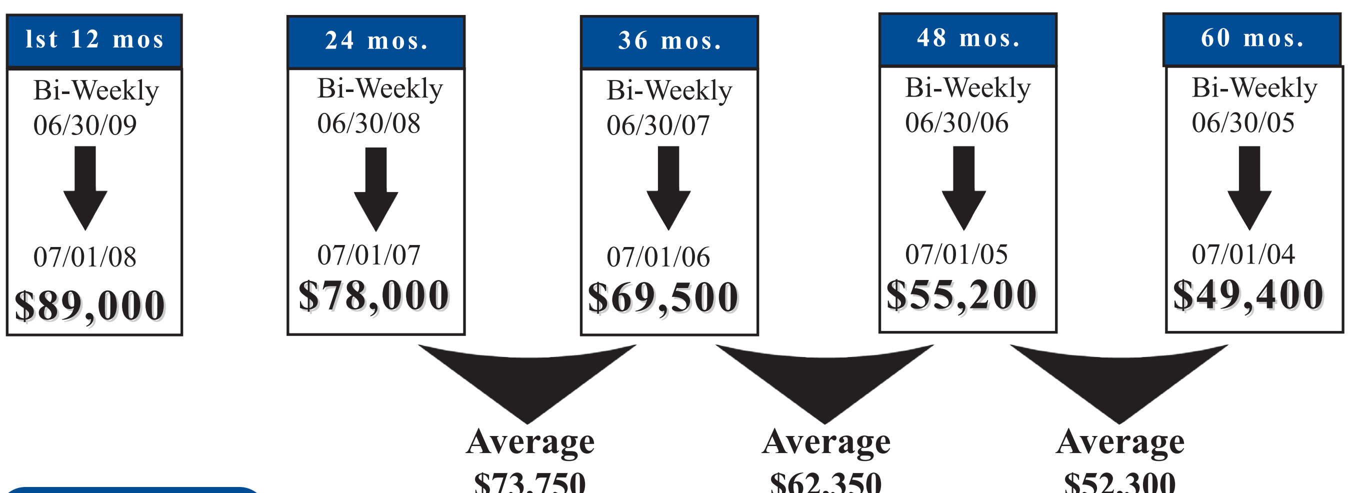
NYCERS WILL:

Look at every paycheck for each year (in the five year period prior to your retirement date) and determine where the money was actually earned - not paid. If necessary, wages will be reallocated back to where they were earned.

Since most member's highest average wage occurs just prior to their retirement, the following example uses wages earned 36 months immediately preceding the member's retirement date.

This example is based on a member's hypothetical retirement date of **JULY 1, 2009.**

Remember, in this example, NYCERS is NOT looking at your wages on a calendar year basis. The three years used in this FAS computation are the wages earned during the 12 - 24 - 36 mos. prior to your retirement date. Each of those wages is then compared to the average of the wages earned in the two previous years.



Step 1

Look at two periods previous to the first 12 mos. prior to retirement and determine the average wage:
($78,000 + $69,500 = $147,500/2 = $73,750)

Multiply the average by 1.20 to determine the "threshold": ($73,750 x 1.20 = $88,500)

If the wages in the first 12 mos. prior to retirement are greater than the threshold, subtract the two figures to determine the excess amount: ($89,000 - $88,500 excess = $500)

This excess amount is subtracted from the wages earned 12 mos. prior to retirement: ($89,000 - $500). The difference ($88,500) becomes the wage you use for the 12 mos. prior to retirement for purposes of determining your FAS.

Step 2

Look at two periods previous to 24 mos. prior to retirement and determine the average wage:
($69,500 + $55,200 = $124,700/2 = $62,350)

Multiply the average by 1.20 to determine the "threshold": ($62,350 x 1.20 = $74,820)

If the wages in the 24 mos. prior to retirement are greater than the threshold, subtract the two figures to determine the excess amount: ($78,000 - $74,820 excess = $3,180)

This excess amount is subtracted from the wages earned 24 mos. prior to retirement: ($78,000 - $3,180). The difference ($74, 820) becomes the wage you use for the 24 mos. prior to retirement for purposes of determining your FAS.

Step 3

Look at two periods previous to 36 mos. prior to retirement and determine the average wage:
($55,200 + $49,400 = $104,600/2 = $52,300)

Multiply the average by 1.20 to determine the "threshold": ($52,300 x 1.20 = $62,760)

If the wages in the 36 mos. prior to retirement are greater than the threshold, subtract the two figures to determine the excess amount: ($69,500 - $62,760 excess = $6,740)

This excess amount is subtracted from the wages earned 36 mos. prior to retirement: ($69,500 - $6,740). The difference ($62,760) becomes the wage you use for the 36 mos. prior to retirement for purposes of determining your FAS.

Step 4

Replace the original wages in the first three years with the new averages

12 mos.	24 mos.	36 mos.
$89,000 is now $88,500	**$78,000 is now $74,820**	**$69,500 is now $62,760**

Step 5

Add the revised 2009, 2008, and 2007 average salaries together and divide by 3. The result is your FAS.

2009		2008		2007		
$88,500	+	**$74,820**	+	**$62,760**	=	**$226,080**

$$\frac{\$226{,}080}{3} = \$75{,}360$$

FAS

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