



Average Final Compensation (AFC) is the average of the member's highest-paid years of membership service, determined by whether a member was vested prior to January 1, 2012.

**For members vested prior to January 1, 2012**, AFC is based on the highest three years of Earnable Compensation and may be subject to statutory limitations.

**For members not vested prior to January 1, 2012**, or hired on or after July 1, 2011, AFC is based on the highest five years of Earnable Compensation and may be subject to statutory limitations.

### Earnings Limitation

For benefit calculation purposes, a member's final 12 months of Earnable Compensation is limited. The limit is 150% of the member's Earnable Compensation for the preceding 12 months or the higher Earnable Compensation for any year used in calculating the member's AFC, excluding the member's final 12 months. If the member exceeds the 150% limit and it is determined that the member is not eligible for grandfathered credits for any unused earned time accrued prior to June 30, 1991, NHRS will notify the member. This limitation affects all members.

### Compensation over Base Pay

Since January 1, 2012, employers have been required to report Earnable Compensation as either "base pay" or "compensation over base" (COB) for all Group I and Group II members not vested prior to that date. COB includes, but is not limited to, overtime, annual attendance bonuses or stipends, workers' compensation supplemental pay and annual longevity pay.

Under changes to the definition of AFC made in 2011, the percentage of COB used in the AFC calculation for members who were not vested prior to January 1, 2012, is the lesser of the percentage of COB in the high 5 years of Earnable Compensation or the percentage of COB reported since January 1, 2012, excluding the high 5 years.

Effective August 14, 2022, the AFC calculation was modified for Group II (Police and Fire) members who commenced service prior to July 1, 2011, and who had not attained vested status prior to January 1, 2012. For these members, the percentage of COB used in the

pension calculation is the lesser of the percentage of COB in the high 5 years or the percentage of COB reported since January 1, 2012, including the high 5 years.

**Note:** Because employers did not distinguish between base pay and COB when reporting Earnable Compensation prior to January 1, 2012, any portion of a member's AFC earned before that date is not included in the COB calculation described in the prior paragraphs.

### Extra or Special Duty Pay for Group II Members

**Group II members vested prior to January 1, 2012:** When calculating AFC, the law states that the average annual compensation for extra or special duty pay (ESDP) in the member's highest 3 years shall not exceed the average annual amount of compensation for ESDP paid to the member over the member's last 7 years of creditable service. If the last 7-year average is lower than the average in the high 3, NHRS must use the 7-year average in the AFC calculation.

**Group II members in service prior to July 1, 2011 but not vested prior to January 1, 2012:** For these members, ESDP is part of the "compensation over base" calculation used as part of their AFC calculation. (see above)

**Group II members hired on or after July 1, 2011:** ESDP is not Earnable Compensation for retirement purposes; neither the member nor the employer pay NHRS contributions.

### "120-Day Law"

Members must receive all compensation that is subject to NHRS contributions no later than 120 days after their termination of employment from their NHRS-covered position. Any compensation paid to members beyond the 120-day period will not be included in their benefit calculation. (There may be an exception when it is established that the delay in payment was through no fault of the member and the member was vested prior to January 1, 2012).

### Maximum Retirement Benefit

For members hired on/after July 1, 2009, and not vested prior to January 1, 2012, the maximum benefit is the lesser of \$120,000 or 85% of AFC.

For members hired prior to July 1, 2009, the maximum benefit is no more than 100% of the member's highest year of Earnable Compensation.