

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 (Tier A), 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 (Tier B and Tier B+) or hired on or after July 1, 2011 (Tier C), 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

Effective January 1, 2026, employers are required to report all employees' Earnable Compensation under the applicable salary type, base pay, compensation over base (COB), and/or Extra or Special Duty Pay (ESDP) for all Group I and Group II members. COB includes, but is not limited to, overtime, annual attendance bonuses or stipends, workers' compensation supplemental pay, and annual longevity pay.

For Group I and Group II Tier A members, COB is considered Base Pay in the AFC calculation.

For Group I Tier B and Group I and II Tiers C members, the percentage of COB used in the AFC calculation for members who were not vested prior to January 1, 2012 (Tier B and Tier C), 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) Tier B members. 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 five years.

For Group II Tier B+ members, COB is considered Base Pay in the AFC calculation.

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 Tier A members: 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 Tier B members: For these members, ESDP is part of the "compensation over base" calculation used as part of their AFC calculation. (see above)

Group II Tier B+ members: Effective January 1, 2026, the percentage of ESDP used in the pension calculation is the lesser of the percentage of ESDP in the high five years or the percentage of ESDP reported since January 1, 2026, including the high five years.

Group II Tier C members: ESDP is not Earnable Compensation for retirement purposes; neither the member nor the employer pay NHRS contributions.

Note: Because employers did not distinguish between COB and ESDP for Group II Tier B members when reporting Earnable Compensation prior to January 1, 2026, any portion of a member's AFC earned before that date is not included in the ESDP calculation described in the prior paragraphs.

"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.

For Group II members hired prior to July 1, 2011, but were not vested before January 1, 2012, the maximum benefit is the lesser of 100% of AFC or \$145,000.

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