

**PENSION BOARD POLICIES
FIREFIGHTERS & POLICE OFFICERS
PENSION FUND OF THE CITY OF TAMPA**

Policy Number: 901
Policy: Calculation of Final Average Salary (FAS) and Service Credit
Eff. Date: 04/24/19 04/22/20 04/27/22 07/27/22
Ref: Board Minutes

POLICY:

1. Purpose: The purpose of this policy is to outline the methodology used to calculate a member's final average salary (FAS) and service credit for use in pension benefit calculations. This policy also defines final salary for non-line-of-duty (NLOD) death benefits.
2. Authority for Policy: Section 5 (H) of the Compendium contract empowers the Board of trustees to adopt uniform rules which shall have the force of law. Section 7(A) of the Compendium contract states that benefits shall be based on the member's average earnings for the three (3) highest years within the last 10 years of service. Section 7(D) of the Compendium contract states that a member may enter DROP or commence immediate receipt of benefits regardless of age provided he/she has an aggregate of 20 years of service.
3. Definitions:
 - a. Section 3(E) of the Compendium contract defines earnings, but does not define the term "year." For purposes of this rule, the term "year" shall mean a year containing the first payroll period of the fiscal year through the last payroll period of the fiscal year, not to exceed 26 pay cycles in a given payroll year. For consistency and fairness, in the infrequent instances where there are 27 pay cycles in a fiscal year, the first pay cycle of the year shall be removed so that no member will be placed at a disadvantage and no member will be provided an added benefit for retiring or entering DROP in those years. Pay cycles shall not be evaluated on an individual basis.
 - b. Section 3(E) of the Compendium contract defines earnings to "include payments for overtime paid by the City of a firefighter or police officer up to a maximum of 300 hours of overtime per calendar year" after October 1, 2004. State law limits overtime as pensionable compensation to not more than 300 hours per year. As the City of Tampa reports overtime to the pension office on a fiscal year basis, and for the purposes of calculating credited overtime earnings for FAS calculations, the term "year" shall refer to the 12 month period commencing October 1 and ending September 30.
 - c. Section 7(D) of the Compendium contract states that a member may enter DROP or commence immediate receipt of benefits regardless of age provided he/she has an aggregate of 20 years of service. For the purposes of this section, 20 years of service may not align with the actual hire date of the member due to the timing of hours worked each pay period. The pension system calculates service credit based on the number of hours worked rather than counting calendar days, with a limit of one (1) year of service credit awarded per fiscal year. In years where only partial service credit is given, such as the year in which a member is hired or separates from service, the sum of those years may not be exactly one (1) year. In instances where a member reaches twenty (20) years of credited pensionable service prior to his/her actual hire

date, the Plan Administrator will review the member's service credit for accuracy and make any necessary corrections to limit service credit to twenty (20) years in the aggregate prior to finalizing a benefit payment. In instances where a member has less than twenty (20) years of credited pensionable service prior to his/her actual hire date due to the sum of the two partial years being less than one (1) year, the Plan Administrator will review the member's service credit for accuracy and make any necessary corrections to limit service credit to twenty (20) years in the aggregate prior to finalizing a benefit payment.

For members retiring with ten (10) years of service, the Plan Administrator will review the member's service credit for accuracy and make any necessary corrections to limit service credit to ten (10) years in the aggregate prior to finalizing a benefit payment.

In the event any issues with service credit cannot be resolved, the Plan Administrator will send the calculation to the Chairman for final action.

- d. Section 9(B) of the Compendium contract uses the term "final salary." For the purposes of this section, "final salary" shall mean the member's final years earnings, inclusive of the last 26 pay cycles prior to the member's separation from service or entry into DROP. This definition shall apply to all spouses and minor children currently in receipt of benefits as of 04/01/2020 and shall apply to all benefits due prospectively.

4. Methodology: To determine the three highest 26 pay cycle periods, the pension office will compare the member's earnings using both calculation methodologies listed below and use the methodology that yields the highest amount:
 - a. The average of the highest three of the last ten City payroll years, as defined above.
 - b. The highest two of the last ten City payroll years, as defined above, plus a hybrid year constructed from the current year in which the member retires and the last part of the third highest year of the last ten City payroll years to create a full 26 pay cycle year.

Example 1: Taylor retires on July 1st. The highest three calendar years are \$75,000, \$80,000, and \$88,000, for an FAS of \$81,000. As of July 1st, Taylor has received 13 pay checks in the amount of \$35,000. Taylor earned \$39,000 in the last 13 pay cycles of the third highest year, which make up the balance of the 13 pay cycles missing from the current year, due to the retirement date, for a total of 26 pay cycles. This results in an FAS of \$80,667. In this example, Methodology A would be used.

Example 2: Jamie retires on July 1st. The highest three calendar years are \$75,000, \$80,000, and \$88,000, for an FAS of \$81,000. As of July 1st, Jamie has received 13 pay checks in the amount of \$46,000. Jamie earned \$39,000 in the last 13 pay cycles of the third highest year, which make up the balance of the 13 pay cycles missing from the current year, due to the retirement date, for a total of 26 pay cycles. This results in an FAS of \$84,333. In this example, Methodology B would be used.

5. Implementation: Without regard to any prior method of calculation, this method shall be used for all benefit calculations following adoption of this rule by the Board. Nothing in this rule shall prevent a member from requesting a review of the calculation method used by making a written request to the Board. The Board's review and determination shall be final, binding, and conclusive on all parties.

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Chairman

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