

Final Average Compensation

Final average compensation is the average salary earned during your **three highest consecutive years** of employment, or the three highest successive joined years of employment where interruption of service occurred. The three years used for average compensation cannot cover a period when you receive more than 3.00 years of service credit.

Louisiana Revised Statutes 11:701(5)(a) gives the method of computing the average compensation used to calculate your benefit. It limits the computation for benefit purposes to a true 10% increase in each of the 3.00 years used to determine your average compensation.

The 10% limit does not apply to:

- Increases given by legislative acts (state raises);
- City/parish systemwide increases
- Systemwide increases at a college or university

The statute provides that a 25% limit will apply for the 12 months during which a classroom teacher changes employment to that of a classroom teacher in another parish.

Example

Member's regular salary for the first year of the three-year period — \$33,567.00
 $\$33,567.00 \times 10\% = \$3,356.70$ (10% increase allowed)
 $\$33,567.00 + 3,356.70 = \$36,923.70$
\$36,923.70 is the total allowed earnings for the second year, including PIP salary.

Notes

1. For retirement purposes, any full one-year period beginning on or after July 1, 1995, will be limited to no more than a 10% increase in compensation for the immediately preceding one-year period. This even includes periods after DROP participation. This is subject to the noted exceptions.
2. The first one-year period in the calculation of average compensation is limited to no more than a 10% increase in the compensation of the preceding one-year period. This preceding one-year period is called the base year and is not part of the three years that determine your average compensation. However, the base-year earnings can limit the salary to be included in the first year of your highest three years. The base year may even be for a period of DROP participation for members who continued to work 3.00 or more years after DROP. (*One year* is a period in which you received 1.00 year of service credit.)
3. No one is exempt from the 10% cap limitation.
4. If a member works 3.00 or more years after DROP, the after-DROP average compensation will be applied to service credit earned after DROP. The before-DROP average compensation will be used for service credit earned before DROP and will never change.
5. In computing the 10% cap on increases in average compensation, all salary will be included. Therefore, PIP, grants, dual employment, overtime, etc., will be considered salary for the purpose of applying the 10% limit.
6. Increases that could be directly traced to funds provided by state/legislative raises would not be subject to the 10% cap because they would be exempt under LSA-R.S. 11:701(5)(c).
7. If you receive a legislative raise during your high three-year salary, your employer must send a letter to TRSL documenting that the raise was the result of a legislative act.
8. Effective July 1, 1995, systemwide salary increases will not count toward the 10% limit on salary increases to be used in computing your high three-year salary for retirement, if the raise is given to all employees of the system. The raise does not have to be the same for all employees, as long as each employee receives a raise as part of the systemwide salary increase.
9. Salary increases that are not part of a systemwide increase, but are due to a change in your job status, will be subject to the 10% cap.